



BUSINESS PLAN & PROJECTIONS



BUSINESS PLAN & PROJECTIONS



WHY THIS TOPIC?

- The trend towards business ownership among young entrepreneurs
- Small Business Expo Survey results show 30% of business started during COVID.
- Angel Investors, loan officers, etc... require it.

My story of how I became an entrepreneur

- Started working for my dad at the age of 12
- Went to college to study hospitality management and switched to accounting
- Graduated from Florida International University with a Masters
- Certified Public Accountant and Chartered Global Management Accountant
- Auditor --> CAO/CFO
- Started consulting as a side gig in 2018
- Launched my CPA firm in January 2020
- Authored two books in 2021
- Host of "Coffee Time with Marie Torossian CPA" in 2021
- Created a proprietary & registered VALUEATION-MT® methodology in 2021
- Launched The Profit Lab in 2022
- Became Grant Cardone Licensee and 10X Certified Elite Coach in 2022

LEARNING OBJECTIVES

BUSINESS PLAN & PROJECTIONS

- **Why every business needs it?**
- **How to Build it?**
- **How to use it?**

WHY EVERY BUSINESS NEEDS IT?

- **Planning For Success**
- **Planning For Sustenance**
- **Planning For Growth**
- **Planning to Scale**



What's included in your Business Plan?



HOW TO BUILD IT?

The Pitch Deck	Executive Summary	Detailed Plan
Problems	Solutions	Marketing
Company Advantage	Target market & conditions	
Sales	Facilities & Locations	Technology
Equipment and tools	Milestones	Key Metrics
Management Team	Ownership Structure	Company History
Forecast	Financing	Source of Funds



Financial Assumptions

Business Plan: Financial Assumptions

Financial Statements

- How many years should be projected?
 - Typically, three years.
 - In some cases, an investor or a bank may ask for 5
 - This is a living document, and
 - Update projections continuously

FORECASTED FINANCIAL STATEMENTS

- Revenue Projections
- Direct Costs, Indirect Costs, and Overhead
- Personnel– Salary and Contractor
- Expenses– Fixed and Variable
- Capital Expenditures, Depreciation, and Amortization
- Assets
- Tax considerations
- Shareholder and Dividend consideration
- Cash Flow Assumptions
- Financing Assumptions

Business Plan: Complete Forecasted Financial Package



HOW TO USE IT?

- **Review your plan annually**
- **Compare your actual performance to plan**
- **Update your plan with new strategies**
- **Re-Forecast your financials based on your new strategies**
- **Repeat successful actions**



The Pitch Deck

- Includes a brief presentation or document with highly visual graphics
- Meant to attract investors and ultimately schedule a meeting with the intended investor
- Showcased in 10–20 slides

Executive Summary

- **Clearly** Reflects key assumptions
- Usually in 3–5 pages
- Usually sent to an investor before the meeting

Detailed Plan

- Explicitly discuss assumptions in 30 –50 pages or more
- The goal is to get financing from a bank or attract an investor
- Help keep all founders on the same page
- Also known as living plans; need to be updated frequently.



**What do
you
discuss in
the
Business
Plan?**

Business Plan: Opportunity

- **Problems:**

- Describe the key problem or unmet need that you will address for your customers.
- If your company is doing something new and different, explain why the world needs your innovation.
- What is it about the existing solutions that are subpar?

Business Plan: Opportunity

- **Solutions:**

- Explain how your company will address the problem you identified above.
- What products or services do you offer, and
- How do they meet your customers' needs?

Business Plan: Opportunity

- **Target market & conditions:**

- Describe your target market. Who is your ideal customer?
- Who are the people or companies who suffer from the problem that you are solving?
- How do they break down into segments — recognizable customer types with similar demographics, needs, and expectations?
- How many potential customers your research suggests there are in each segment?

Business Plan: Opportunity

- **Competition:**

- Describe the competitive landscape for your products or services.
- Do you have direct competitors — that is, other vendors who provide the same sort of solution to the customer's problem that you do?
 - If so, describe who they are, what they offer, and why customers might choose them.
- Don't have any competitors doing the same thing you are doing? That is common with new, innovative companies.

Business Plan: Opportunity

- **Company Advantage**

- Identify your key advantages over the other competitors and alternatives in your market.
- Do you have the lowest price in a market where all of the solutions are basically the same?
- If not, why should customers choose your solution? Is it better? Easier, faster, better tasting, longer-lasting, more conveniently located, backed by better customer service?
- Or is it a specialized solution that is better for a particular group of customers?

Business Plan: Execution

- **Marketing**

- What kind of marketing activities will you use to attract customers?
- Do you plan to invest in signage, physical or digital advertising, email newsletters, search engine optimization, social media outreach, TV or radio commercials?
- Have you developed a logo and branding?
- Choose the activities you think are right for your business, and make sure the related expenses are included in your forecast.

Business Plan: Execution

- **Marketing continued...**

- If you plan on advertising, talk about your messaging.
 - What is the unique value proposition or selling point — your pitch — that you expect to resonate with potential customers?
 - Talk about how that pitch positions you relative to your competitors.
 - Are you the no-frills, low-cost option for budget-conscious shoppers? Or a premium product that is superior to the others in a keyway? Or are you differentiating yourself in another way — being faster, more convenient, better for the environment, locally sourced?
- Make sure this is aligned with the competitive advantages that you described in the Competition section.

Business Plan: Execution

- **Marketing continued...**

- Describe your distribution and pricing plans.
 - How will your customers buy your products or services?
 - Will they pay you directly, either in your store or out in the field?
 - Will they buy what they want on your website? Or through other retailers, distributors, or resellers?
 - Are your customers actually using your products or services, or are you selling to other companies incorporating your solution into their own?
 - What will your customers pay; will those payments be one-time purchases or an ongoing arrangement?

Business Plan: Execution

- **Sales**

- Explain how you plan to sell your products or services.
- How will you convert those prospects who express interest (LEADS) into paying customers
 - people who visit your store,
 - who sign up for your newsletter,
 - who ask for an estimate

Business Plan: Execution

- **Operations**

- **Facilities & Locations**

- Describe your company's physical locations. This might be your office, store locations, manufacturing plants, storage facilities.
 - How much space do you have available, and how well will it meet your current and future needs?
 - If location is important in your market, Is your target customer type heavily represented in your neighborhood's demographics?
 - Are you close to other key resources, such as a key supplier's office or shipping ports, or freeways?

Business Plan: Execution

Technology

- Describe any important software, hardware, or other information technology you use now or plan to use later to operate your business.
 - Includes a point-of-sale system to take payments,
 - an e-commerce engine for your website,
 - a CRM solution for managing your pipeline, marketing tools for generating leads, and so on.

Business Plan: Execution

Equipment and tools

- List any special equipment that you have or plan to acquire to do your work.

Milestones

- Set a specific timeline to achieve certain steps?
- Who would be responsible for each step?

Business Plan: Execution

Key Metrics

- The goal here is to
 - Keep your plan alive by tracking your actual results
 - Identifying poor assumptions or weak performance as early as possible, and
 - Correcting course right away to keep your business on track.
- The first step is to get clear on which metrics are going to be the most important to watch closely.

Business Plan: Execution

Key Metrics continued...

- Which performance metrics are most important for understanding how your business is doing?
- What does success mean for you, and how will you know it when you see it?
- Is it critical to contain your direct costs in a low-margin industry
- Should you track a certain number of leads generated per month to keep your sales pipeline full?
- Should consider a certain level of traffic on your website or
- What percentage of visitors are converted into customers?
- What amount of cash reserves should be kept in the bank?

Business Plan: Company Information

Ownership structure

- Who owns your company.
- If there are multiple owners, describe each of them
- How much of an ownership stake
- Identify your company's legal structure.

Business Plan: Company Information

Company History

- Tell your company's story so far: where the company started and how it got to where it is now.
 - Idea stage or is just getting started– Skip until you have history to discuss.
 - Newer business, what have you done so far, and what kind of traction have you gotten in the marketplace?
 - Longtime business, who started it, when, where, and the original product or service? What has changed since then?
- Talk about good years, bad years, new services, new locations, new partners.
- Highlight an important date or event that had an impact on the business.

Business Plan: Company Information

Management team

- List the members of the management team, including yourself:
Emphasize the strengths.
- Describe each person's skills and experience and what they will be doing for the company.
- How do they make your team stronger?
 - Do they have specific expertise in your industry or subject matter?
 - Do they have experience starting or managing other small
- Why are you the right ones to capitalize on this market opportunity?

Business Plan: Company Information

Management Team continued...

- If you are a sole proprietor or otherwise working by yourself, just focus on your own skills, experience, and past successes.
 - Rename this section to avoid the "team" language.

Business Plan: Company Information

Advisors

- If you have an important question or a new business challenge, who will you turn to for advice? What qualifies them to be a good resource for you and your company?
 - Mentors
 - Investors
 - Former professors
 - Industry or subject-matter experts
 - Knowledgeable friends or family members
 - Small-business counselors

Business Plan: Financial Assumptions

Forecast

- Describe how you came up with the values in your financial forecast.
- Did you project your revenue based on
 - Past results
 - Market research
 - Your best guess at how many people visit your store and what percentage of them might buy, or some other method?
- What kind of growth are you assuming?
- What are your key hires and notable expenses?
- What level of profit do you expect to generate?

Business Plan: Financial Assumptions

Financing

- Use of funds: If your forecast includes loans, investments, or other financings, explain
 - What you plan to do with that money.
 - Will it help to cover operating costs as your new business scales up?
 - Will it finance capital expenditures, such as the purchase of expensive equipment?
 - Will it enable you to add personnel or expand your marketing to increase revenue?
- Paint a clear picture of why these funds are needed and how they will pay off.

Business Plan: Financial Assumptions

Sources of Funds

- Describe your financing plans.
 - Are you investing your own money in the business?
 - Do you have a credit card or line of credit?
 - What other types of funds — personal or business loans, equity investments from others, etc. — do you expect to receive and when?
 - If you do not have the full detail of future financing worked out, explain what you know and expect to sort out the details.

Business Plan: Financial Assumptions

Revenue Projections

- What type of revenue stream is it?
 - The number of units sold – such as products. What's the product price & margin? How many do you expect to sell each month? How many products do you have?
 - Billable hours– Service – How many clients each month? How many hours? What is the hourly rate? Are there different rates?
 - Recurring charges– subscriptions, rent, web apps. What packages do you offer? How many of each package do you expect to sell?
- In any case, what is your expected growth projections?
- Why and how would you achieve this growth?

Business Plan: Financial Assumptions

Direct Costs, Indirect Costs, and Overhead

- Common examples of direct costs: costs of sales, costs of goods sold (COGS) are the raw materials you need to manufacture your products, wholesale purchases of products you are reselling, and sales commissions.
 - You can add direct costs as flat amounts or
 - Set them to a percentage of your revenue so that they scale evenly with growth.
 - You can also add direct labor — personnel such as factory workers or commissioned salespeople whose expenses you want to treat as direct costs

Business Plan: Financial Assumptions

Direct Costs, Indirect Costs, and Overhead continued...

- Understand your gross margin: gross margin shows the portion of your revenue — as a monetary value and a percentage — that is left over after paying your direct costs, but not your other expenses.
- It gives a sense of how much potential profit your company has to work with.
- Benchmarks—you can compare your gross margin to others in your industry to see how your costs compare to those of your competitors.

Business Plan: Financial Assumptions

Personnel– Salary and Contractor

- Calculate the salaries and related costs paid to yourself, your employees, and any contract workers.
- You can list every employee by name or title, or you can group them into common roles or departments if that makes more sense.
- This is a valuable opportunity to think through your staffing needs, now and in the future.
 - How much will you pay your staff?
 - When do you need to add new positions?
 - How will those positions be compensated?
 - Does it make more sense to hire full-time employees or use contract resources?

Business Plan: Financial Assumptions

Expenses– Fixed and Variable

- If your company is just getting started, be sure to include any one-time or short-term startup expenses in the early months as you get up and running.
- Rent, utilities, insurance, marketing costs, office supplies, advertising, bank or credit card fees, professional and legal fees, property taxes, and so on.

Business Plan: Financial Assumptions

Assets, Capital Expenditures, Depreciation, and Amortization

- Focus on long-lasting purchases like
 - Equipment
 - Vehicles
 - Furniture
 - Intellectual property
- You can spread out the expense of annual contracts or other short-term assets.

Business Plan: Financial Assumptions

Tax Considerations

- This is business planning, not tax planning.
- The taxes are theoretical expenses based on theoretical profits.
 - Don't get too specific about the details.
 - Set standard rates to make sure that your forecast includes basic tax coverage.
 - An estimated rate of 20% should cover all applicable income taxes — federal, state, local, etc.

Business Plan: Financial Assumptions

Sales Tax Considerations

- Some or all of your revenue streams might be subject to a national general sales tax (GST), value-added tax (VAT), or other state or local sales taxes.
- Collecting sales taxes will not affect your profitability
 - But it will affect your cash flow projections for the time from when you receive the revenue to when you pay them to the government.
 - Don't treat temporary tax money as readily available cash.

Business Plan: Financial Assumptions

Shareholder and Dividend consideration

- Dividends (for corporations) or distributions (for LLCs or partnerships) are a way to pass current or past profits along to the company's owners or shareholders.
- Companies can issue dividends at any time but typically do so at the end of the fiscal year.
 - dividends are based on after-tax profits
- Consider whether you will pay one time, constant amount, or varying amounts over time.

Business Plan: Financial Assumptions

Cash Flow Assumptions

- Many failed businesses are profitable when they go into bankruptcy.
 - They don't manage their cash well, and
 - They don't see the need for extra financing until it's too late
- Collect payments faster, pay slower, and invest in inventory as-needed
 - How much will you purchase using credit?
 - How many days till you pay a vendor?
 - How much sales do you make on credit?
 - How many days will it take to collect?

Business Plan: Financial Assumptions

Financing Assumptions

- Includes
 - Loans for assets like company vehicles or capital equipment,
 - Outside investments in exchange for equity, and
 - Your own personal investment of funds into the business.
- Don't include grants or crowdfunding money, as these are treated as income.

Business Plan: Financial Assumptions

Financing Assumptions continued

- If you are unsure whether you need funding, check out the projected cash balances in your plan.
- Any negative cash balance means that your company will run out of money and be unable to pay its bills.
 - Add funding
 - Delay or reduce spending
 - Increase your forecasted revenue.

Business Plan: Financial Assumptions

Financing Assumptions continued

- Sometimes regular revenue is not enough to fund growth, especially for startups.
- Determine your funding needs, build loans, investments, credit lines, credit cards, or less-specific funding sources into your plan.

What were your Key Take-aways?

List right now

- Three things you are **not doing**
- Put the date when or how often you will do them

