



# How to produce the most professional-looking, convincing financials for your pitch



## edge financial forecasting

**Crowdcube** wants you to make the right impression on your potential investors so you get your money. Here's our benchmark guide to great financials. We recommend you check yours for the following features, but before you do there's one thing to always keep in the forefront of your mind:

### Remember what they're for!

**Your financials are there for two reasons:**

- to give your prospective investors the information they need to make a decision
- to help convince them that you're the kind of person they want to invest in

**So ask yourself:** if you saw your own numbers for the first time, and knew nothing about you or your business, would they give you the information you need? Are they easy to access, easy to understand and consistent with what you've written in your plan? And would they make the impression you'd want them to make? Do they make you look like someone who's thorough, professional and in command of their numbers?

Be objective and be critical. Review the presentation of your numbers as if you're seeing them for the first time. There's nothing to be gained by flattering yourself. As you do so check your financials for the following features to make sure you're meeting the highest standards.

### The 10 essential features of a professional, convincing financial forecast

#### 1. MODELLING OF 'ACTIVITY', NOT JUST REVENUE

Projected revenue is always the product of 'activity': a certain number of customers spending an average of... or a certain number of website visitors converting to customers at a rate of... etc. An investor can't decide if projected revenue is realistic unless they understand the 'drivers' which underpin it. It's the first fundamental of business modelling, and it's the overriding evaluation an investor will make. If the revenue model isn't realistic, everything else is irrelevant.

#### 2. TO FULL ACCOUNTING STANDARDS

A significant proportion of your money on Crowdcube may come from a few larger, more sophisticated investors and

to meet their scrutiny you need to model to full accounting standards. That means an integrated profit and loss, cash-flow and balance sheet, with an appropriate level of detail and relevant history and opening balances if you're already trading. Anything less looks unprofessional and raises more questions than it answers.

#### 3. A CLEAR FINANCIAL SUMMARY

You need to model professionally and to an appropriate level of detail, but the last thing you want to do is just dump all that on your investor and let them fight their way through it. Just as your written plan needs an 'executive summary' so

your forecast needs a financial summary which presents the headline numbers in a clear and accessible format. This summary is your 'hook' for their financial motivation and they need to 'get' your numbers pretty much at first glance.

Remember also that on Crowdcube you are often appealing to people who are considering relatively small investments. They may not spend much time reviewing your numbers in detail anyway, so if you don't get your point over on the first page they look at – you've probably missed your chance.

#### 4. A BRIEF COMMENTARY TO INTRODUCE AND SUMMARISE YOUR 'BUSINESS MODEL'

Your forecast should include a brief written introduction which explains conceptually the basis of your business model (e.g. "The fundamental driver for our business is a volume of website visitors who convert to sales at an average conversion rate and who spend a gradually increasing average amount over time..." and so on. Also briefly explain key financial

#### 7. CLEAR LABELLING OF ACCOUNTS HEADINGS AND CONSISTENCY THROUGHOUT

Look at the labels that you give to individual rows of numbers and make sure they are clear and obvious. And make sure that you are consistent with the terms you use in your written document. Don't say "UK Sales" in your plan and call it "Domestic Revenue" in your financials. You just risk causing confusion. Also be careful that any summary figures you quote in your plan are the same as the ones in the financials – as things change during the planning process they often get out of sync.

#### 8. GREAT LOOKING

Your financial forecast is one of the key components of your overall presentation. How good it looks speaks volumes about you and your business. Take pride in it and it will come across. It should have a cover, a contents page and numbered, clearly labelled pages. Brand it with your logo if you have one – investors are often dealing with more than one proposal and



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issues; for example: "the forecast assumes that retail stocks run at 2 x the following month's turnover..." Your aim is to help the reader understand the numbers you are presenting, preempting the obvious questions before they ask them.

#### 5. CLEAR AND TRANSPARENT ASSUMPTIONS

A business model or forecast necessarily relies on a number of global drivers or assumptions. Belief in the forecast means belief in these assumptions. You will have explained what these are in your written commentary to the numbers; you must also make sure their values are displayed transparently so that your investor can understand them and decide that they're plausible. Where necessary explain how you arrive at these assumptions.

#### 6. APPROPRIATE DETAIL THAT'S EASY TO FOLLOW

It's possible that your financial summary will be all they read, but you can never be sure how deep any investor will want to dig. In general the more they want to invest, the deeper they'll want to go and you don't want to stop them in their tracks. So if they pose a reasonable question will they find the answer reasonably easily? Getting someone to invest money is about removing doubt and overcoming objections, so give them a reasonable level of detail and make it easy for them.

you want to make yours stand out from the rest. If you provide a few unlabelled pages of badly structured information you will soon lose their interest.

#### 9. USER-FRIENDLY

Assuming you've got the content and structure of your financial information right, think about the practicalities. Your investor wants to look at your financials: what do they see when they upload the link? It should be immediately clear and easy to read on screen and be printable at one click without fiddling with print-settings. The best option is a pdf document. If you give them what is obviously a coherent document they will be encouraged to print it. If they print it, they might read it. If you just give them the unwieldy spreadsheet you worked on they won't understand it and they'll move on to the next proposal.

#### 10. UP TO DATE

Your pitch could be up for several months. Give yourself the capacity to update your forecast and keep it fresh. That way you show people you're on top of things and that what they're looking at is current, not out of date already. On Crowdcube that's a great opportunity to post an 'update' to your pitch and maintain a dialogue with your interested investors. There's nothing worse than a 'stale' forecast.