

Entrepreneur Boot Camp

NYU Stern Business Plan
Competition 2015

Part #1: Operations Plan

Part #2: Financial Plan

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A Business Plan Communicates To Investors Your Confidence

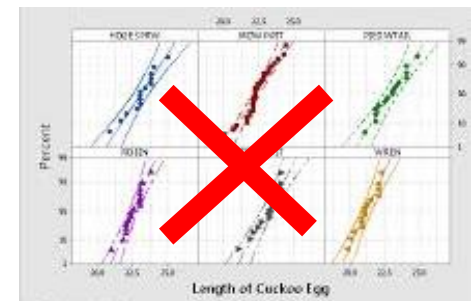


F.L.O.P.

Failure in **L**aunch,
Operations or **P**remise



An Operations Plan is NOT



Based On REAL Field Information, Winning Plans Show How To Execute



How To Develop a Believable Plan

Start With A Working Model Of Your Business

- Do You Have Customers?
- Product Or Service?
- Cost To Supply Product Or Service?
- Information Learned From Field Tests?

Data To Build Your Plan



Different Types Of Businesses Have Different Cost Drivers

Let's Start With Two Questions:



Service?

Physical Product?



Your Business Probably Includes Both
But Try To Choose The One That Fits Best!

For A Service-Driven Business ...



It's All About Personnel



- Compensation
- Training Requirements
- Availability For Hire
- Development Costs
- Cycle Time/Calendar
- Required Support

Operations Plan Should:

Focus On Human Machinery
To Run Your Business

Granular Data

"Salesperson \$75K Plus Commissions"

*"Onboarding Accounts Takes 3 Weeks
Start to Finish"*

*"Sales Pipeline of 500 Prospects Creates
50 Warm and 10 Closures"*

*"CTO Costs \$150/Yr + Options, We Can
Outsource at \$6K Another 6 Months"*

*"80% Retention for Renewals When We
Customize Functionality"*

*"Post-Sale Customer Service Person Can
Support 550 Accounts"*



Data To Build Operations Plan

For A Product-Driven Business ...



It's All About Sourcing



Granular Data

"Design Salaries \$150K; Protos <\$90K"

- Design/Development
- Product Gross Margin
- Supply Chain
- Distribution Channel
- Selling Costs
- Customer Acquisition

"IP Filings Cost \$15K USA and International Add \$60K"

"Blended Margin Of 60% Based On Combined USA/Asia Sourcing"

"Small Orders 3 Weeks Lead Time USA; Large Ones 11 Weeks Asia"

"Wholesale Channel Mass Market 65% Of Sales; Direct Retail 35%"

"Customer Acquisition Cost \$30, Average Order Value \$65"

Operations Plan Should:

Focus On Product Cycle
To Run Your Business



Data To Build Operations Plan

What Do I Do With Data?

Each Area Of Operations Needs Plan Of Attack

Data Provide Essential Math To Determine:

- Quality Of Resources
- Quantity Of Resources
- Cost Of Resources
- Timing Of Installation
- Milestone Calendar



May We Have An Example Please!

You Asked For It...

Let's Build An Operations Plan For:

Brilliant Apparel Solutions

Innovative Maker Of Underwear
Solving Real Problems For Real People

Brilliant Apparel Solutions

- Problem: Underwear Does Not Fit Well
- Underwear Is An Old, Dusty Category
- No Real Innovation In 30 Years



New Entrant – Brilliant Underwear!

- Revolutionary “Quick Draw” Technology
- Initial Target Men, Soon To Add Women
- Amazing Design Team, Patent Pending
- Brand Build Through Wholesale
- E-Commerce Build Yrs 2-4



Acquire Data For Sourcing

Brilliant Apparel Solutions - Manufacturing Data

- Material – Cotton/Modal \$4/Yrd, Avg \$1 Unit
- Assembly – USA \$8, China \$3, Egypt \$4
- Shipping – USA \$.20, ROW \$.90
- Fabric Lead Time – 15 Days, Add 30 Color
- Assembly Lead Time – USA 21 Days, China 70 Days landed, Egypt 60 Days Landed
- Landed Cost – USA \$9.20, China \$4.90, Egypt \$5.90

Acquire Data For Design

Brilliant Apparel Solutions - Design And Proto Data

- Designer Salary - \$80K
- Fabric Sample Yardage – 10 Colors, 25 Yards, \$5K
- Prototyping – 9 Patterns, Freelancers, Contract Assembly, \$15K
- Fit Test/Wash Test/Other - \$5K
- Development Cycle – 4x/Yr, 6 Weeks Each
- Adoption/Multiples – Sales/Press \$10K 4x/Yr

Roll Up Data To Build Operations Plan

Sourcing

- Made In USA \$9.20, Import \$5.40
- Blended Sourcing USA 20%, Import 80% = Average Cost \$6.12
- At Wholesale \$12.25, Margin 50%
- At Retail \$29.95, Margin 80%
- E-Comm Projected 20% Volume

Sourcing Approach:

“Redundant Sourcing USA/Import,
Fills Small Orders <3 Weeks And
Achieves Blended Margin Of 56%”



Design/Product Dev

- Full Time Staff <\$100K
- Outsourcing prototyping and other add \$125K
- 4X/Yr Product Introduction Delivers Fashion Forward

Design/Dev Plan Approach:

“Blend In-House/Outside Resource
For Lean Organization Total \$225K;
\$400K Revenue Covers Cost”

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## Additional Roll-Up Categories

- Direct-To-Consumer Organization
- Wholesale Distribution
- Customer Service

# That Was Easy, Three Simple Steps

## #1 Define Challenges

- Dictate Milestone Targets
- Focus On All Major Cost And Expense Categories

## #2 Acquire Granular Data

- Obtain Facts From Field Tests, Experts, Research
- Be Mathematical - Articulate In Formula, Pattern, Rules

## #3 Present Plan

- Present In Fact-Based Format With Cost And Time Line
- Convey Tactical Methodology (Lots Of Math Please)



# Granularity On Demand



# **It's So Simple, Anyone Can Do It**

**Maybe Not Anyone, But Definitely Anyone From NYU!**

Friendly Advice:

- Get Out In The Field, Gather Facts
- Talk To Competitors (Play The Student Card)
- Iterate - Create Strawman Quickly, Refine Many Times
- Launch Your Business During The Competition
- Obtain Customers NOW
- Build Working Analogy Of Your Business NOW
- Abandon All Other Commitments, Dive 24/7

If You Leave With One Message:

**The Operations Plan Must Be  
Believable**

# Thank You!

**A Strong Operations Plan  
Will Keep You In The Race  
Good Luck!**

**Next: Part #2 Finance**



# Part #1: Operations Plan

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# Return in 10 Minutes



# Part #2: Financial Plan

Before Funding, Investors Look At:

1 Size Of Opportunity

2 Valuation

3 Exits















# #1 – Size Matters ...





# #2 – Valuation ...

## Comps ...

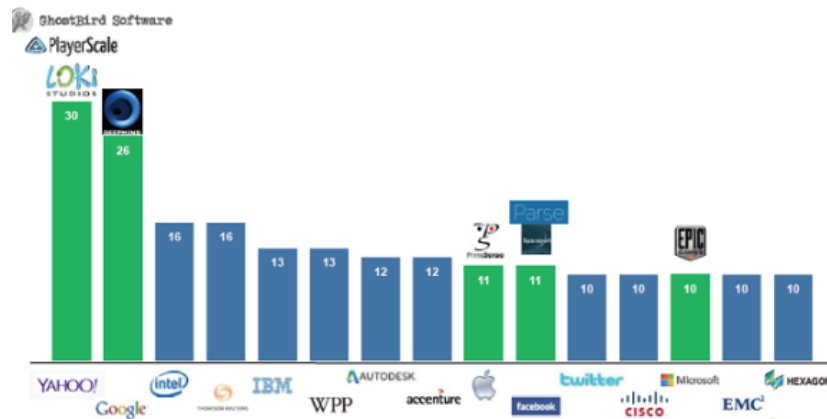
|                                                                                                        |      |                         |               |
|--------------------------------------------------------------------------------------------------------|------|-------------------------|---------------|
|  Oculus VR            | 2014 | facebook                | \$2B          |
|  Demand Media         | 2011 | Public                  | \$1.5B        |
|  MAKER                | 2014 | The Walt Disney Company | \$500M-\$950M |
|  Cornerstone OnDemand | 2011 | Public                  | \$606.3M      |
|  RIX GAMES            | 2011 | Tencent 腾讯              | \$472M        |
|  edgecast            | 2013 | verizon                 | \$350M        |
|  servicemesh        | 2013 | CSC                     | \$330M        |
|  HAUTELOOK          | 2011 | NORDSTROM               | \$270M        |
|  green dot          | 2010 | Public                  | \$243.6M      |
|  MB6 SECURITY       | 2012 | Trustwave               | \$120M        |

## Multiples ...



# #3 – Exit Potential ...

Top Strategic Acquirers: 2013



# After Funding, It's The Burn



# Granular About 12-Month Cash

Year 1

Year 2

Monthly Sources

Monthly Uses

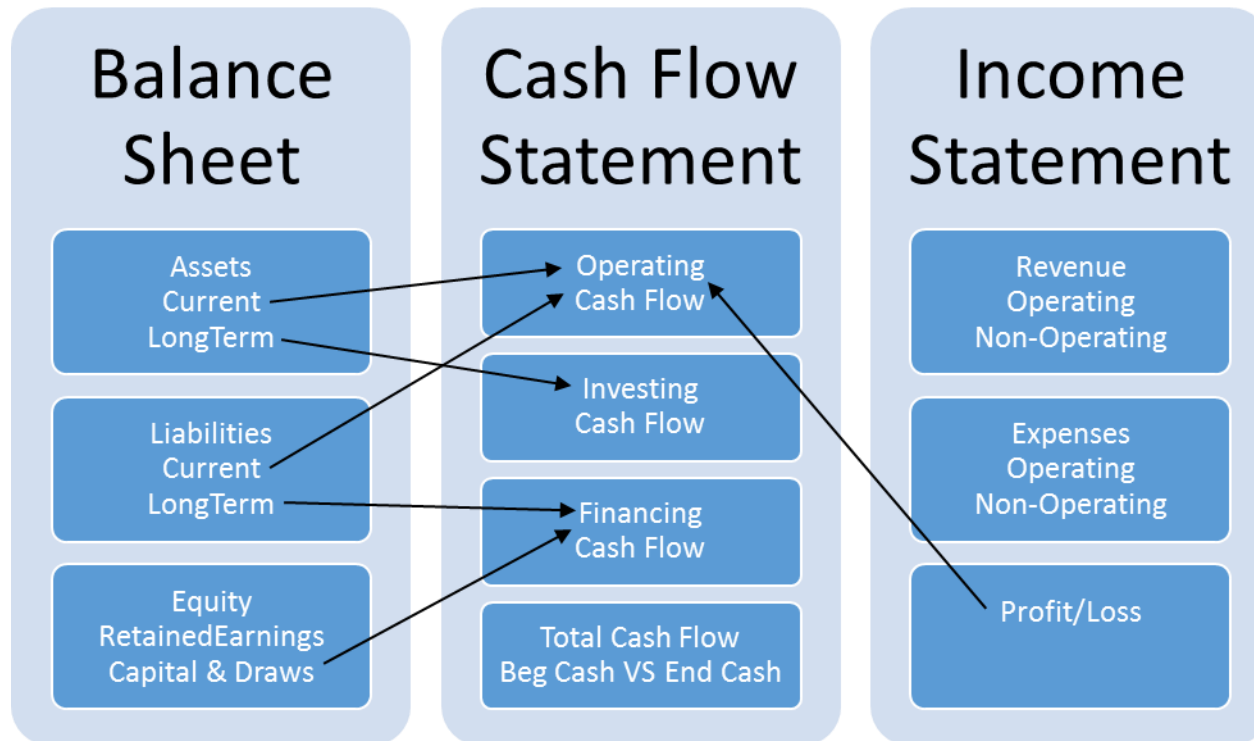
Monthly Cash Balance



# Year 3 Projections ...



# A Bit Of “Old School” Please ...



# Example Please!

## Brilliant Media Solutions (BMS)

- Automated PR and Advertising For Brands
- Subscription Revenue Model
- Content Creation, Targeted Advertising
- Will Put PR Agencies Out Of Business
- Revenue Will Accelerate Year 2 And Beyond

Yr1 @ 50K

Yr2 @ 800K

Yr3 @ 3,000K





# BMS Will Build Value And Exit

## Agency Valuations: 2-4x Sales



Active Strategic Acquirers:  
ICF Int'l, WPP, Publicis



Active IPO's:  
\$102 Million Offering

# What About The BURN Rate



## Sources YR1

|               |     |
|---------------|-----|
| Subscriptions | 42K |
|---------------|-----|

|                  |    |
|------------------|----|
| Development Fees | 8K |
|------------------|----|

|     |     |
|-----|-----|
| TTL | 50K |
|-----|-----|

YR1 Burn: (300K)

YR2 Burn: (235K)

## Uses YR1

|          |      |
|----------|------|
| Salaries | 100K |
|----------|------|

|                   |      |
|-------------------|------|
| Sales & Marketing | 100K |
|-------------------|------|

|       |     |
|-------|-----|
| Admin | 75K |
|-------|-----|

|                                     |     |
|-------------------------------------|-----|
| Engineering (3 <sup>rd</sup> Party) | 75K |
|-------------------------------------|-----|

|     |      |
|-----|------|
| TTL | 350K |
|-----|------|

YR3 Plus: 1,100K

# Qualify Sources and Uses

## Sources

*“We already have three monthly subscriptions on six-month trials totaling \$18K; another four are in negotiation now”*

*“\$8K in development fees are a great way to help underwrite coding expenditures while gaining valuable customer insight”*

## Uses

*“One of the founders is a full-stack developer, instead of adding engineers full-time Yr1 we have budgeted \$75K where needed”*

*“Most of the Yr1 \$100K sales and marketing spend occurs late in the year as we ramp up sales for Yr2 projected at \$800,000”*

# Entrepreneurs Work Without Pay?



| Brilliant Media Solutions              |     |     |     |     |     |     |     |     |     |     |     |     |      |      |     |     |     |      |       |        |        |  |  |  |  |  |
|----------------------------------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|------|------|-----|-----|-----|------|-------|--------|--------|--|--|--|--|--|
| 2015-2017 Financial Projections        |     |     |     |     |     |     |     |     |     |     |     |     |      |      |     |     |     |      |       |        |        |  |  |  |  |  |
|                                        | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | 2015 | Q1   | Q2  | Q3  | Q4  | 2016 | 2017  | 2018   | 2019   |  |  |  |  |  |
| Subscription Revenue                   |     |     | 1   | 2   | 3   | 3   | 3   | 4   | 4   | 4   | 6   | 12  | 42   | 50   | 100 | 200 | 450 | 800  | 2,900 | 9,800  | 24,500 |  |  |  |  |  |
| Development Fees                       |     |     |     |     | 1   | 1   | 1   | 1   | 1   | 1   | 1   | 1   | 8    | 5    | 20  | 25  | 25  | 75   | 100   | 200    | 500    |  |  |  |  |  |
| Total Sources                          |     |     | 1   | 2   | 4   | 4   | 4   | 5   | 5   | 5   | 7   | 13  | 50   | 55   | 120 | 225 | 475 | 875  | 3,000 | 10,000 | 25,000 |  |  |  |  |  |
| Salaries                               |     |     | 2   | 3   | 5   | 10  | 10  | 10  | 10  | 10  | 15  | 25  | 100  | 75   | 80  | 90  | 105 | 350  | 750   | 3,500  | 6,500  |  |  |  |  |  |
| Sales & Marketing                      |     |     |     |     |     |     |     | 20  | 20  | 20  | 20  | 100 | 60   | 70   | 80  | 90  | 300 | 700  | 1,500 | 3,500  |        |  |  |  |  |  |
| Administrative                         |     |     | 10  | 5   | 5   | 5   | 5   | 5   | 10  | 10  | 10  | 10  | 75   | 30   | 30  | 30  | 30  | 120  | 200   | 400    | 750    |  |  |  |  |  |
| Engineering                            |     |     | 5   | 5   | 5   | 5   | 5   | 10  | 10  | 10  | 10  | 10  | 75   | 30   | 30  | 30  | 30  | 120  | 250   | 250    | 250    |  |  |  |  |  |
| Total Uses                             |     |     | 17  | 13  | 15  | 20  | 20  | 45  | 50  | 50  | 55  | 65  | 350  | 195  | 210 | 230 | 255 | 890  | 1,900 | 5,650  | 11,000 |  |  |  |  |  |
| Cash (EBITDA)                          |     |     | -16 | -11 | -11 | -16 | -16 | -40 | -45 | -45 | -48 | -52 | -300 | -140 | -90 | -5  | 220 | -15  | 1,100 | 4,350  | 14,000 |  |  |  |  |  |
| Funding                                |     |     | 30  |     | 520 |     |     |     |     |     |     |     |      |      |     |     |     |      |       |        |        |  |  |  |  |  |
| Running Balance*                       |     |     | 14  | 3   | 512 | 496 | 480 | 440 | 395 | 350 | 302 | 250 |      | 110  | 20  | 15  | 235 |      | 1,335 | 5,685  | 19,685 |  |  |  |  |  |
| * Does Not Include Provision For Taxes |     |     |     |     |     |     |     |     |     |     |     |     |      |      |     |     |     |      |       |        |        |  |  |  |  |  |

# Better Simple Chart Method

| Brilliant Media Solutions<br>2015-2019 Projections | <Actual Estimate> 2015 |     |      |      |      |      |      |      |      |      |      |      |       | 2016  |      |     |     |       | 2017  | 2018   | 2019   |
|----------------------------------------------------|------------------------|-----|------|------|------|------|------|------|------|------|------|------|-------|-------|------|-----|-----|-------|-------|--------|--------|
|                                                    | Jan                    | Feb | Mar  | Apr  | May  | Jun  | Jul  | Aug  | Sep  | Oct  | Nov  | Dec  | Total | Q1    | Q2   | Q3  | Q4  | Total | Total | Total  | Total  |
| Subscription Revenue                               |                        |     | 1    | 2    | 3    | 3    | 3    | 4    | 4    | 4    | 6    | 12   | 42    | 50    | 100  | 200 | 450 | 800   | 2,900 | 9,800  | 24,500 |
| Development Fees                                   |                        |     | -    | -    | 1    | 1    | 1    | 1    | 1    | 1    | 1    | 1    | 8     | 5     | 20   | 25  | 25  | 75    | 100   | 200    | 500    |
| Total Sources                                      |                        |     | 1    | 2    | 4    | 4    | 4    | 5    | 5    | 5    | 7    | 13   | 50    | 55    | 120  | 225 | 475 | 875   | 3,000 | 10,000 | 25,000 |
| Salaries                                           |                        |     | 2    | 3    | 5    | 10   | 10   | 10   | 10   | 10   | 15   | 25   | 100   | 75    | 80   | 90  | 105 | 350   | 750   | 3,500  | 6,500  |
| Sales & Marketing                                  |                        |     | -    | -    | -    | -    | -    | 20   | 20   | 20   | 20   | 20   | 100   | 60    | 70   | 80  | 90  | 300   | 700   | 1,500  | 3,500  |
| Administrative                                     |                        |     | 10   | 5    | 5    | 5    | 5    | 5    | 10   | 10   | 10   | 10   | 75    | 30    | 30   | 30  | 30  | 120   | 200   | 400    | 750    |
| Engineering                                        |                        |     | 5    | 5    | 5    | 5    | 5    | 10   | 10   | 10   | 10   | 10   | 75    | 30    | 30   | 30  | 30  | 120   | 250   | 250    | 250    |
| Total Uses                                         |                        |     | 17   | 13   | 15   | 20   | 20   | 45   | 50   | 50   | 55   | 65   | 350   | 195   | 210  | 230 | 255 | 890   | 1,900 | 5,650  | 11,000 |
| Cash (EBITDA)                                      |                        |     | (16) | (11) | (11) | (16) | (16) | (40) | (45) | (45) | (48) | (52) | (300) | (140) | (90) | (5) | 220 | (15)  | 1,100 | 4,350  | 14,000 |
| Funding                                            |                        |     | 30   |      | 520  |      |      |      |      |      |      |      |       |       |      |     |     |       |       |        |        |
| Running Balance*                                   |                        |     | 14   | 3    | 512  | 496  | 480  | 440  | 395  | 350  | 302  | 250  |       | 110   | 20   | 15  | 235 |       | 1,335 | 5,685  | 19,685 |

\* Does Not Include Provision For Taxes



# The “Ask”



*“With \$550K Investment, BMS Will Build Its SAAS Business Valued At \$20M In Three Years”*

## Financial Summary

- Early Financial Validation
- Pilot Revenue In Place, Need \$\$\$ To Grow
- \$550K Brings Us To Cash Flow Positive Q4 2016
- Year 3 Growth Driven By Sales And Marketing
- Enterprise Value Yr3 >\$20M; Yr5 > \$60M



# Financial Plan Summary

- Highlight In Financial Terms Key Milestones
- Sources And Uses Align COMPLETELY With Operations
- Qualify Financial Details Of Critical Operations
- Beyond Year 2, Show You Are Ambitious/Scalable

If You leave With One Message:

**Demonstrate You Understand  
The Cash Needed To Execute**

# Part #2: Operations Plan

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# Live Long and Prosper



**Thank  
You!**

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