



Nottingham University  
**Business School**

UNITED KINGDOM · CHINA · MALAYSIA

Haydn Green Institute  
for Innovation and  
Entrepreneurship

# Ingenuity19

**Nottingham's Innovation Event**

**Raising Money &  
Modelling Cash flows**

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Supported by  
**Experian**

Modelling the cash in and out of your new venture is a critical aspect of creating both a credible business plan and a successful pitch.

This video will introduce a very simple way of creating an initial cash flow forecast and highlight how this model can then be used to explore key questions related to pricing, managing risks and exploring alternative strategies for investment and growth.

This video will also identify a variety of potential sources of cash / support for the budding entrepreneur with an overview of the pros and cons of each.

## What you will need to develop your [thing]?

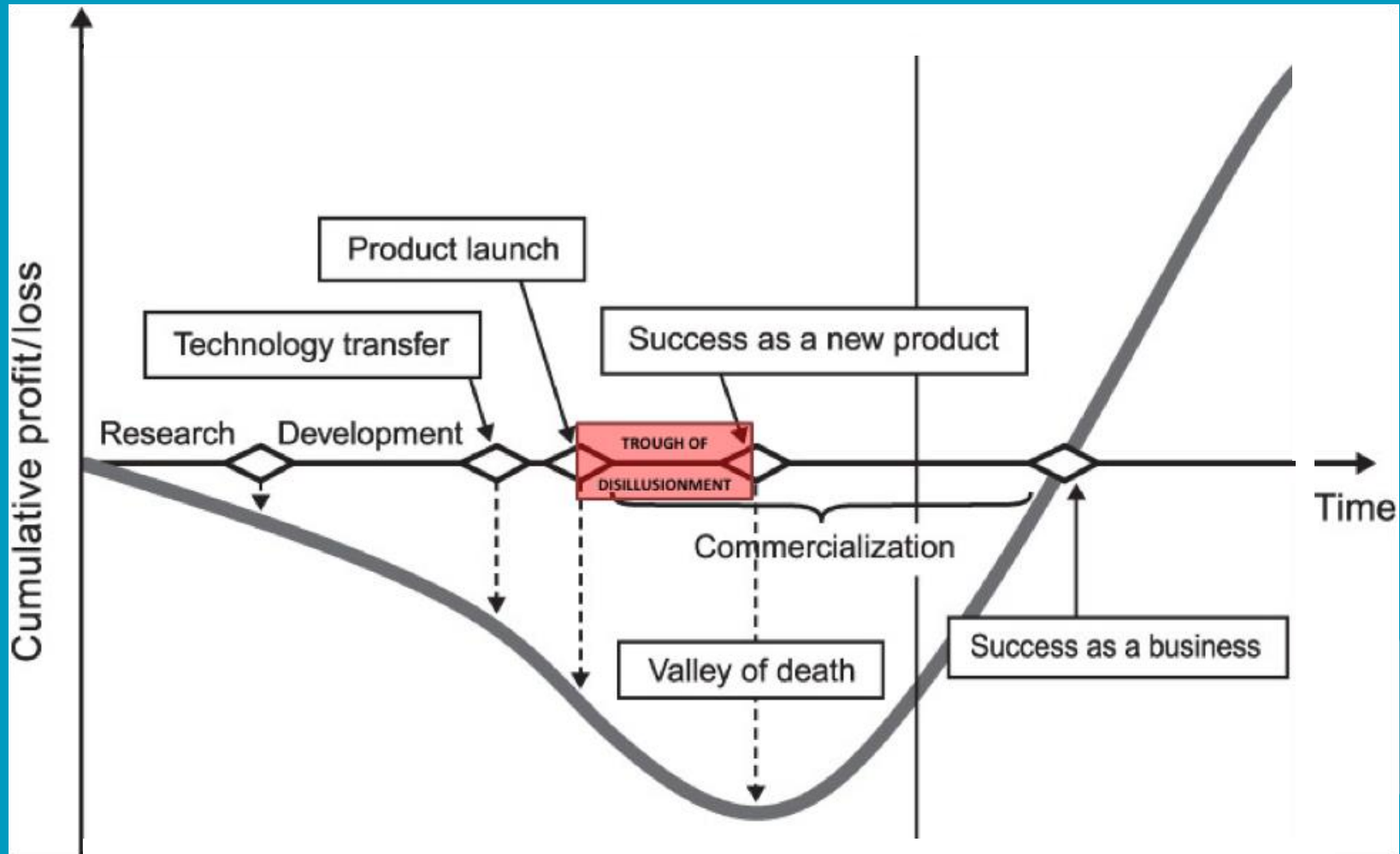
- People (technical, legal, financial, leadership, etc)
- Equipment
- Raw materials
- Relevant Contacts (internal & external)
- Strategic alignment
- Credibility
- Time
- ???
  
- Money

- Friends, family, fools
- Crowdsourced
- Banks (Loans, Credit Cards, Mortgage)
- Angel Investors
- Venture Capitalists
- Charities & Foundations
- Government (regional, national, supranational)
- Retained earnings (internal business case)
- ???

# Choosing the “right” finance option

- What type of organisation are you?
  - What stage is your business at?
  - What level of cash do you need?
  - Do you need something other than cash?
  - What are your strategic goals? (growth, exit, etc)
- 
- Align your efforts to gain investment with the right source(s) whenever possible

# The “Valley of Death”





## Current & future cash in your company?

- Become obsessed with cash flow
  - Cash IN
  - Cash OUT
  - What's in the Bank?
- Model and project this
- Regularly monitor this
- Actively run scenarios / what ifs?

# What are your costs? (potentially)

- Staff (salary, pension, PAYE, bonuses, etc)
- Rent
- Capital Expenditure
- Manufacturing costs
- Distribution costs
- IT & Telephony
- Marketing & PR
- Travel & Subsistence
- Finance & Accounting  
(bank fees, accounting fees, taxes, etc)
- Legal (advice, patent costs, etc)
- ???



## What are your sources of future income?

- Investment(s)
- Grants
- Loans
- Sales Income (Goods or Services)
- Government tax incentives (eg R&D Tax Credit)
  
- What's the lead time from invoicing or filling a claim to receiving the cash in your business account?

# Create an initial Cash Flow – eg Excel

The screenshot displays an Excel spreadsheet titled "Basic Cashflow Forecast Template (I19) - Excel". The interface includes the Microsoft Office ribbon (File, Home, Insert, Page Layout, Formulas, Data, Review, View) and a taskbar at the bottom. The spreadsheet is organized as follows:

- Columns:** Months from APR to MAR for the year 2020, followed by a column for "FY19-20 TOTALS".
- Rows:**
  - INCOME (Cash In):** Investment, Loans, Grants (Non-Govt), Grants (Govt/Region), Tax Credits etc, Product #1 Sales, Service #1 Sales, Consultancy, OTHER, and Total IN.
  - EXPENDITURE (Cash Out):** Salaries, Consultants, Insurance, Accounting & Banking, IT & Telephony, Marketing & PR, Rent (incl utilities), Rent equipment, Travel & Subsistence, Legal, Capital Expenditure, Raw materials, Loan Repayments, Taxes, Dividend Payment, and Total OUT.
  - Summary Rows:** Net Movement (in month), Cash in bank (Start of Month), and Cash in bank (End of Month).
- Formulas:** The spreadsheet uses various formulas, including SUM, AVERAGE, and conditional formatting (e.g., "Bad", "Good", "Neutral", "Calculation", "Check Cell").
- Taskbar:** Shows the Windows taskbar with the Start button, search bar, and several application icons (Excel, PowerPoint, Word, etc.). The system tray shows the time as 10:02 and the date as 16/01/2019.

- You need to show evidence of (or potential for)
  - Cash Flow
    - Will the business be able to cover costs as they arise?
  - Sustainability
    - Will the business survive over the long haul?
  - Profitability
    - Will the business generate a surplus, and if so when?
    - Profit and loss forecasts / breakeven chart

Please see additional Excel worksheet resource  
for further details

## How will investors get their money back?

- Your timeline is important for an investor
- Investors may be looking for a considerable return on their investment
- Identify potential exit points (pros, cons, risks, etc)

- A multiple of future income or profit  
(Very sector and stage of market specific)
- Some valuation of your market share / user base
- Look at similar deals
- “What will the market pay?”



- Costs
  - Your own experience
  - Go and ask potential suppliers / partners
  - Ask someone who’s already doing something similar
  
- Income / Sales
  - Primary data
  - Secondary data
  - Top down and bottom up market segmentation
  - Pilot trials / tests (or other research)

# Secondary Data?

- Web search
- Annual returns for similar companies / charities
- Sector specific trade journals / conferences etc
- Industry bodies
- Business and Tech press (physical / online)
- Commercial market research reports  
(may be free if you're University student / staff)
  
- ???

## Final tips

- You *can* produce a credible first guesstimate
- It's critical to sense check this with others
- You *will* need to iterate your initial cashflow (too expensive? too little resource? etc, etc)
- Remember to run alternative scenarios (lower / delayed income, higher costs, etc)
- Present a *summary* in any pitch or plans
- Use appropriate visuals

You must generate a cashflow  
*(and then model multiple scenarios)*

Try and get as much  
real world data as possible

Strategically think about using the  
right type of finance

Continue to monitor and model your  
financial position over time

Produce an initial cash flow forecast / model

Identify the data you need to model more accurately

Explore alternative scenarios  
 (“optimistic” & “pessimistic”)

Consider preferred funding options  
& potential exit scenarios



Thank you very much for watching  
and  
good luck as you begin to work through the  
various stages of seeking financial support and  
developing your own cash flow