

Startup Financial Modeling

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Table of Contents

Key Financial Concepts

- Key Financial Terms
- P&L Income Statement

Financial Chart Output Examples

- Financial Projections
- LTV & CAC
- Unit Economics
- Customer Projections
- Cash Flow Overview
- Target Market

Key Financial Terms

AOV (Avg. Order Value) = Total Sales Revenue / Total Order Quantity

Returning Customer Rate: % of customers placing more than 1 order (e.g., 20% Returning Customers)

Churn Rate: % of customers lost (e.g., 30% Annual Churn for subscription; 80% for non-subscription)

Gross Revenue: Total Sales Revenue

Contra Revenue: Incl. Revenue Share; Payment Processing; Discounts; Returns; Damages; Pass-Through Shipping/Sales Tax...

Net Revenue = Gross Revenue - Contra Revenue

Gross Margin = Net Revenue - Variable Costs (e.g., COGS, Fulfillment)

EBITDA Margin = Gross Margin - Fixed Costs (e.g., Salary, Marketing, OpEx, CapEx)

Contribution Margin (Unit Economics) = Gross Margin per Product - Blended Cost per Acquisition (CAC) per Product

LTV (Lifetime Value) = Gross Revenue per Customer / Churn Rate

Paid CAC (Cost Per Acquisition) = Total Acquisition Marketing / Total Paid Acquisition Customers

Blended CAC (Cost Per Acquisition) = Total Acquisition Marketing / Total Unique Customers (incl. Organic)

LTV:CAC: indication of growth and profitability potential (Comp: >3x LTV:CAC ratio)

P&L Income Statement

Gross Revenue *(by Product / Channel)*

- Sales Quantity
- Sales Price
- Order Quantity
 - *Average Order Value (AOV)*
- Customer Quantity *(Organic vs. Paid)*
 - *Average Revenue per Customer*

Contra Revenue Adjustments

- Revenue Share *(e.g., Amazon 8-20%)*
- Payment Processing *(e.g., 3% of Rev)*
- Damages & Returns *(e.g., 5% of Rev)*
- Discounts *(e.g., 10% of Rev)*

Net Revenue *(e.g., 85%+ Margin)*

Variable Expenses

- COGS *(per Product)*
- Shipping / Fulfillment Costs *(per Order)*
- Operating Costs *(per Order)*

Gross Profit *(e.g., 60%+ Gross Margin)*

Fixed Expenses

- Salary / Benefits
- Office / G&A
- Legal / Insurance
- Software / Tech
- Marketing / Sales

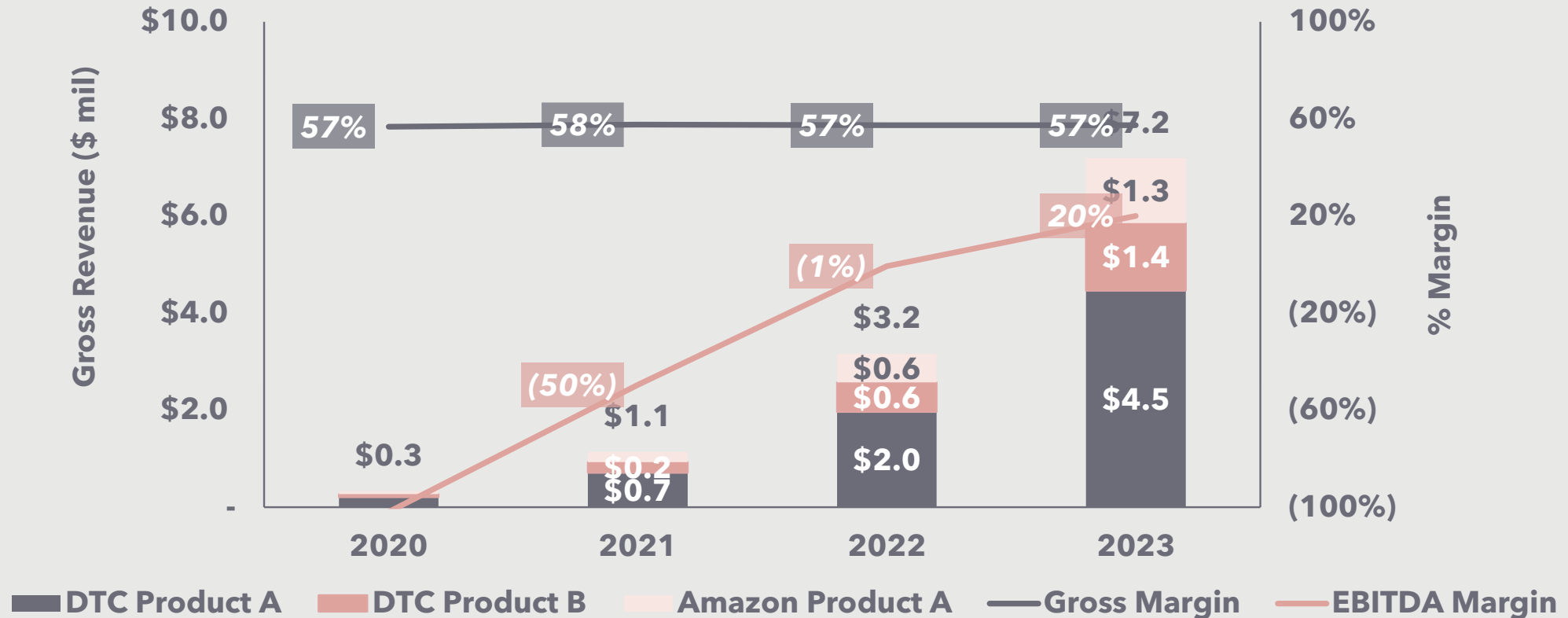
Operating Income / EBITDA

(e.g., 20%+ EBITDA Margin)

Financial Projections

We expect to reach \$7M gross revenue by 2023 at 20% EBITDA margin (~60% revenue from DTC Product A)

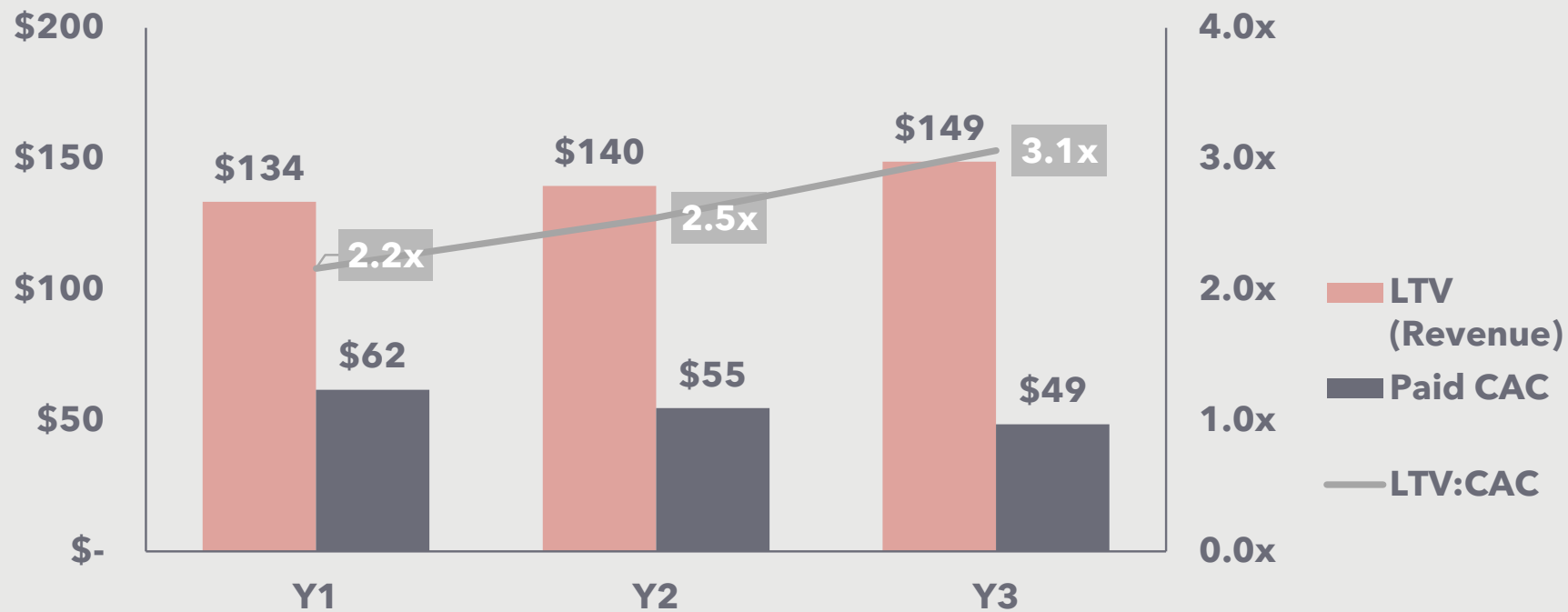
Gross Revenue & Margin Projection



LTV & CAC

We aim to achieve ~3.0x LTV:CAC in Y3, at \$149 LTV (Lifetime Value) and \$49 CAC (Cost per Paid Acquisition) – assume 57% gross margin and 78% annual churn

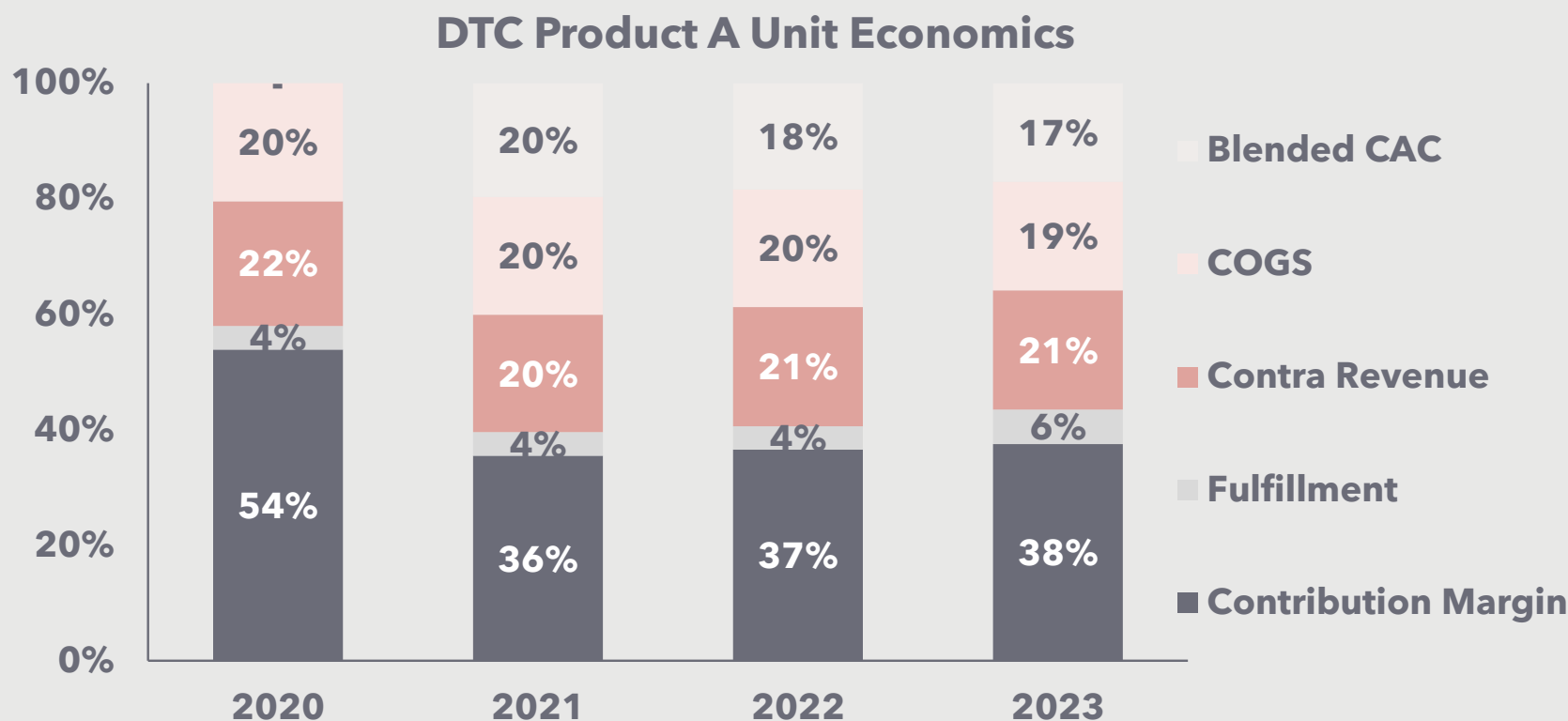
Average Customer LTV & CAC



Note: LTV is based on gross revenue per customer; CAC only represents paid acquisition marketing

Unit Economics

We project our DTC product A to remain a 38% contribution margin by 2023, ensuring each additional unit sale brings in incremental profit



Assumptions

Blended CAC: Represents blended acquisition marketing costs (incl. organic)

COGS: Includes production & packaging

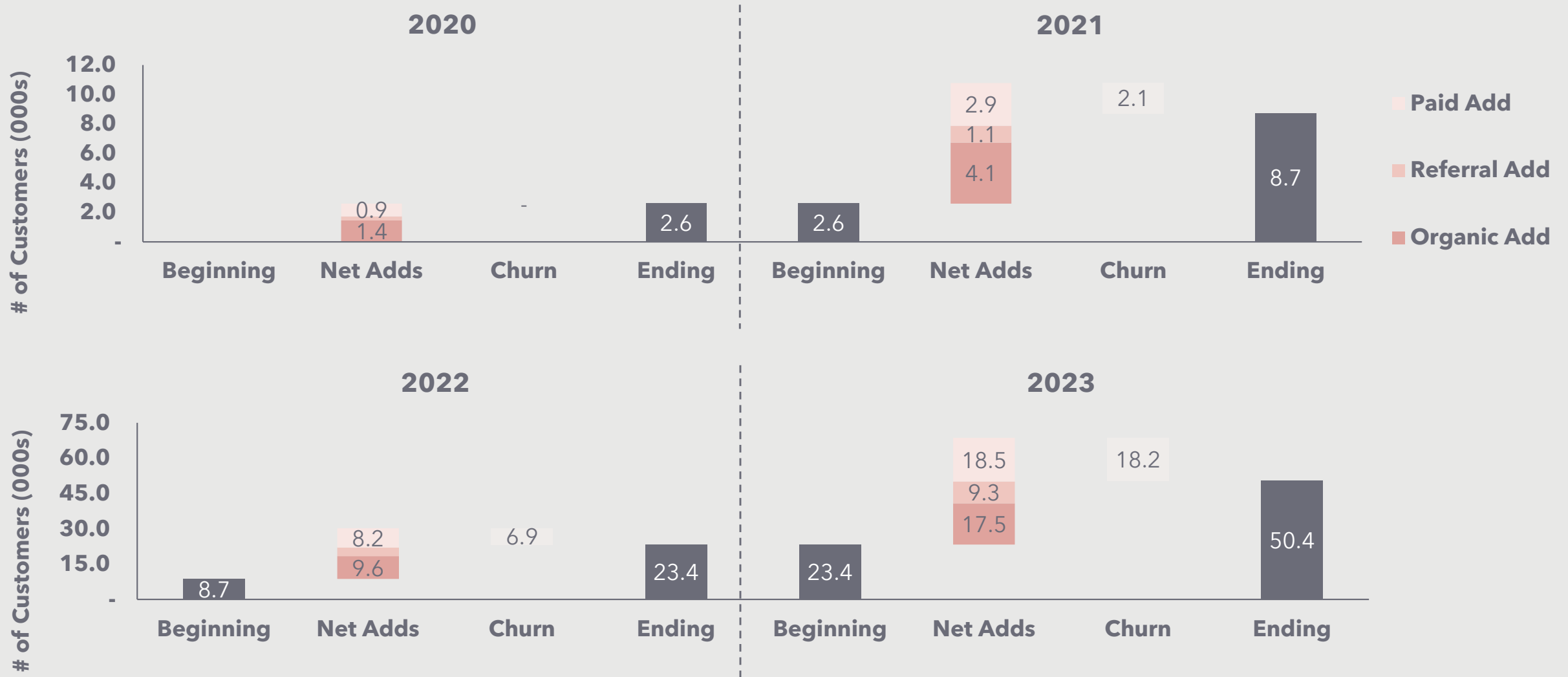
Contra Revenue: Includes revenue share, damages, returns, discounts, and payment processing

Fulfillment: Includes inbound & outbound shipping, warehousing, intake, and pick & pack

Contribution Margin: Accounts for all variable costs incl. blended CAC

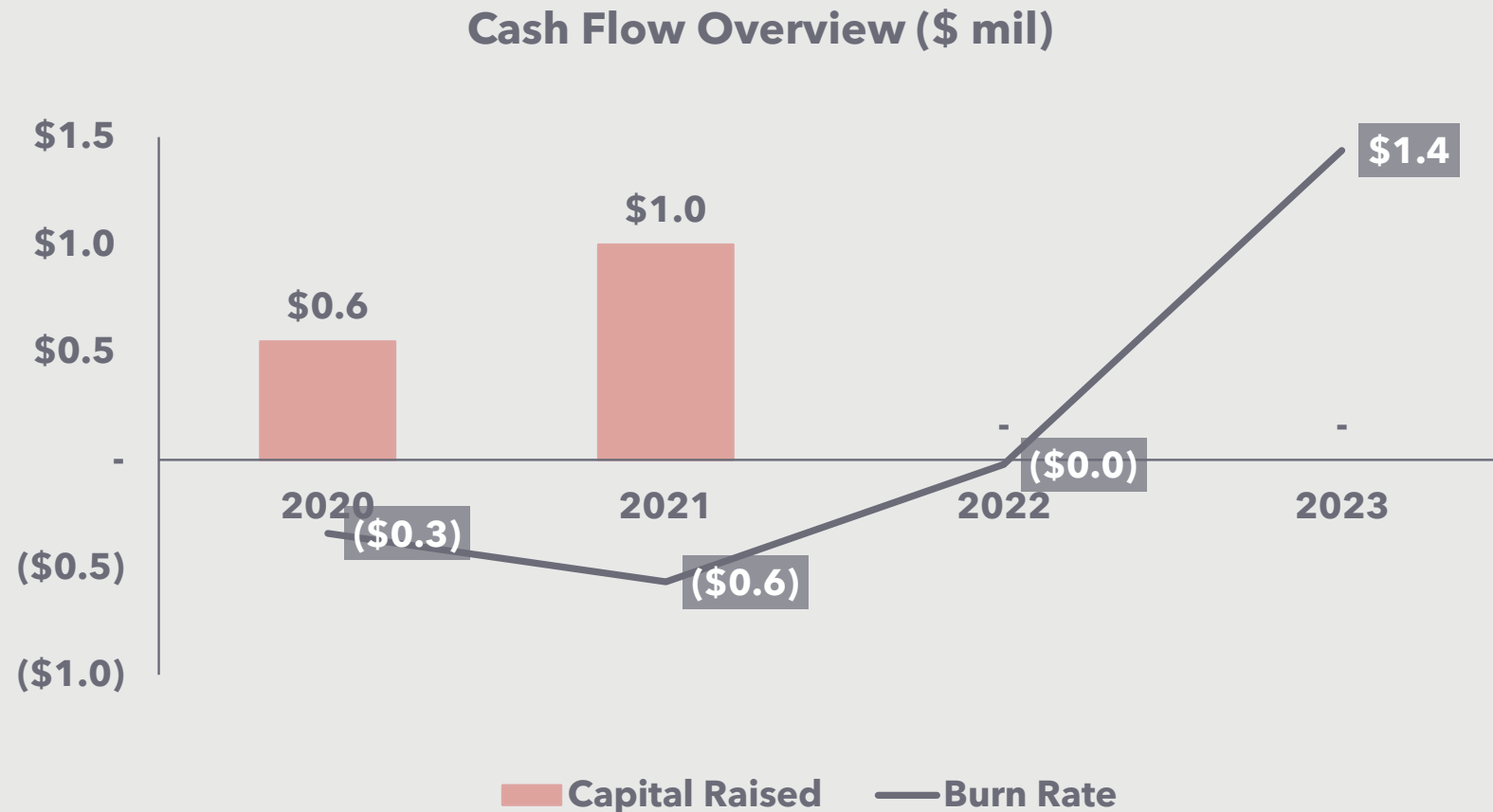
Customer Projections

We expect to gain 50K customers by end of 2023, of which we assume that 60% will come from paid acquisition



Cash Flow Overview

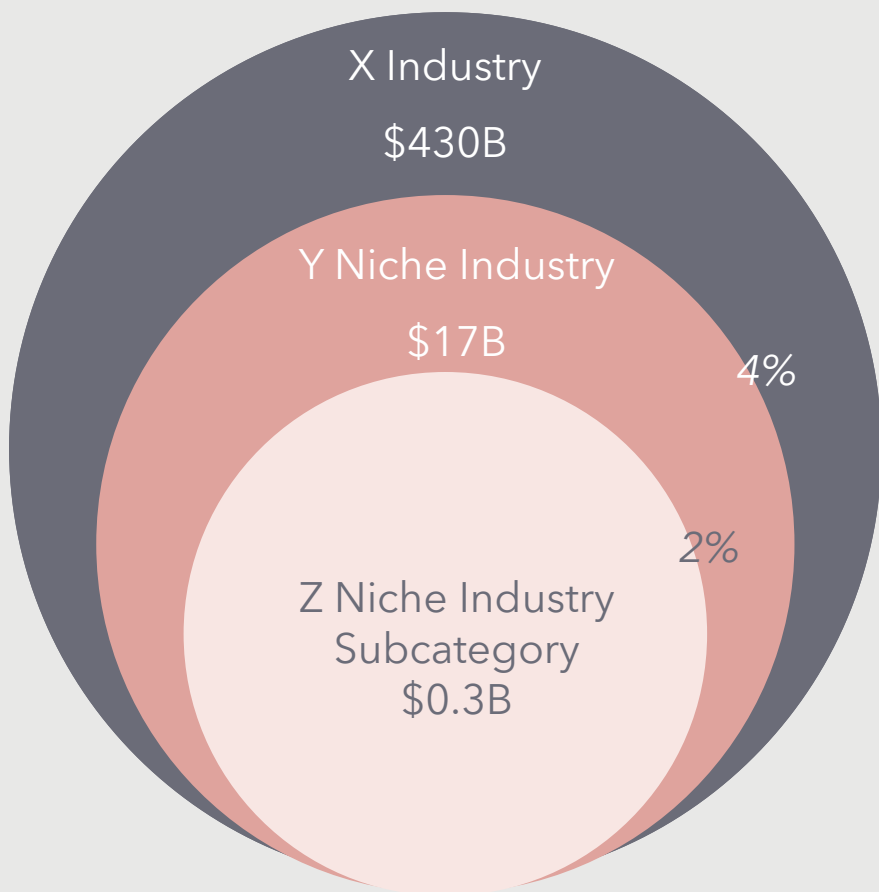
We aim to raise ~\$1.5 mil in the first 3 years, covering our total burn and leading to break-even in 2023



Total US Addressable Market

By 2023, we expect to capture 2% of the Z niche industry subcategory market opportunity and 6% of the A target demographics in B age group and C income level

Retail Revenue (\$B)



TAM:
Total Addressable Market

SAM:
Serviceable Addressable Market

SOM:
Serviceable Obtainable Market

Demographics (M)

