



INSIGNIA
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Startup Finance Playbook v1.0

**Developed in collaboration with
Insignia Ventures Academy**

March 2025

About This Playbook

Managing startup finance is often one of the biggest challenges founders face, yet it is a critical pillar for sustainable growth, fundraising, and investor confidence. From ensuring strong financial hygiene to navigating fundraising and M&A, having a structured finance function is key to scaling successfully.

Why We Created This Playbook

This **Startup Finance Playbook by FinKnight** consolidates insights from our **three-part finance workshop with Insignia Ventures Academy**, covering:

- Establishing a strong finance function from early-stage to growth
- Managing cash flow, financial planning, and forecasting
- Fundraising strategy, investor relations, and M&A readiness

This version has been **refined from the original workshop content** into a more structured, standalone resource. While the workshop fostered open-ended discussions and interactive problem-solving, this playbook is **designed for independent reading, featuring clear frameworks and actionable insights tailored for founders, CFOs, and startup operators**. By sharing this as a **free resource**, our goal is to empower more founders, CFOs, and startup operators with the tools they need to build a resilient, scalable finance function.

Collaboration with Insignia Ventures Academy

This playbook was developed in collaboration with **Insignia Ventures Academy** as part of the **StartCXO program**, where we worked with both **startup leaders and corporate veterans transitioning into the startup world**. The goal: equipping them with **practical knowledge** to support their scaling journeys.

A huge thanks to **Insignia Ventures Academy** for providing the platform to drive these important conversations, and to the **StartCXO cohort** for the engaging discussions and real-world case studies that helped shape this guide.

This is just v1. Let's keep improving it together.

We hope this playbook serves as a valuable reference and we welcome feedback as we refine future versions.

Usage & Attribution

This playbook is a free resource developed by FinKnight in collaboration with Insignia Ventures Academy to support founders, CFOs, and startup operators in navigating financial management.

Sharing & Quoting

You are welcome to share and reference this playbook. If quoting or using excerpts, please credit: “Startup Finance Playbook by FinKnight, in collaboration with Insignia Ventures Academy”.

Disclaimer

This playbook is for informational purposes only and does not constitute financial, legal, or investment advice. Readers should seek professional guidance tailored to their specific business needs.

For more insights, visit <https://finknight.com/>.

Your partner in value creation

At **FinKnight** we propel startups to reach their full potential.

Founded in 2023, we understand the challenges startups face in scaling their finance functions. Our expertise in strategic planning, operational efficiency, and investment management led us to create FinKnight, bridging the gap with dynamic financial leadership.

At FinKnight, we support the entire spectrum of finance operations for startups and scaleups. From crafting growth strategies and securing fundraising to ensuring meticulous bookkeeping and delivering actionable data analytics, we provide end-to-end support so founders can focus on growing their businesses.

Whether through our outsourcing model, where we fully manage our clients' finance operations, or our co-sourcing model, where we support and collaborate with their in-house finance teams, we've got them covered.

Our core values - passion, intellectual honesty, curiosity, and integrity - drive everything we do.

Join us on this journey to achieve your startup's mission!



Co-Founder, Managing Director

Chang Lih Yen

CFA, FCCA, FRM

- Ex-CFO of EasyParcel
- 14 years of experience, spanning from C-suite, strategy, private equity, venture capital, investment banking, corporate finance to accounting.



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Backed by:

FIRSTMOVE



Agenda

Session 1: Foundations of Startup Finance

- Case Study Introduction
- Finance Function in Startups
- Structure of the Finance Function
- Building the Finance Team
- Finance Team Deliverables
- Impact of Finance Deliverables
- Collaboration with Other Departments
- Recap & Key Takeaways

Session 2: Financial Planning for Startups: Flux Analysis, Budgeting & Extending Runway

Session 3: Strategic Finance: Investor Relations, Fundraising and M&A

Session 1:

Foundations of Startup Finance

Case Study Introduction

Imagine you're a founder who has built a platform connecting sports facility owners with users.

In the early days, you personally handled everything: issuing invoices, making payments, managing payroll, and even working with auditors and tax agents. **[Stage 1]**

As the company grew, you delegated finance tasks to a non-accounting executive. **[Stage 2]**

Eventually, after raising funds, you realized the need for a structured finance function, investor reporting, and international expansion compliance. **[Stage 3] What would you do?**

1. What are the risks of this setup?
2. What challenges do you foresee as the company scales?
3. If you were advising the founder, what would be your top priority?

Finance Function in Startups

Key Differences

- **High Uncertainty and Rapid Growth:**
 - Startups often operate in dynamic, fast-changing environments with limited historical data.
 - Finance teams must be agile and adaptable to support rapid scaling and pivots.
- **Limited Resources:**
 - Startups typically have constrained budgets and manpower.
 - Finance teams must prioritize efficiency and focus on high-impact activities.
- **Strategic Focus:**
 - Unlike traditional corporate finance, startup finance is deeply involved in strategic decision-making.
 - Finance leaders act as key advisors to founders, helping to balance growth with financial sustainability.



Challenges

- **Cash Flow Management:**
 - Ensuring sufficient liquidity to cover operational expenses and growth.
 - Monitoring burn rate and runway to avoid cash crunches.
- **Fundraising:**
 - Navigating complex fundraising processes (e.g., Seed, Series A, B, C).
 - Preparing compelling financial narratives and projections to attract investors.
- **Scaling Operations:**
 - Building scalable financial processes and systems to support growth.
 - Managing the transition from manual processes to automated solutions.
- **Regulatory Compliance:**
 - Staying updated on tax laws, accounting standards, and other regulatory requirements.
 - Ensuring compliance while minimizing administrative burden.

Opportunities

- **Building Investor Confidence:**
 - Transparent and accurate financial reporting builds trust with investors.
 - Strong financial governance enhances the startup's credibility and valuation.
- **Driving Efficiency:**
 - Utilizing affordable tools and well-designed workflows to streamline financial operations, freeing up time for strategic activities.
- **Strategic Role in Growth:**
 - Provide data-driven insights to guide business strategy and decision-making.
 - Identifying growth opportunities and optimizing resource allocation.
- **Cross-Functional Collaboration:**
 - Collaborate closely with other departments (e.g., operations, sales, product) to align financial goals with business objectives.
 - Act as a bridge between financial data and operational execution.

Structure of the Finance Function

Key Actors



Finance/Account Executives

Invoicing, payment, payroll, bookkeeping



Head of Finance/Accountant

Oversee day-to-day finance operations, including bookkeeping, reporting, payroll and compliance (audit and tax filings)



CFO

Strategic planning, investor relations, and fundraising.

Provide insights to founders and leadership for key business decisions.

Increasing need as Startup matures



Considerations

- **Align Team Structure with Growth Stage:**
 - **Early Stage** (Seed/Series A): Start with a lean team (e.g., Head of Finance/Accountant + 1-2 Finance/Account Executives).
 - **Growth Stage** (Series B/C): Expand the team to include CFO and specialized roles (e.g., FP&A analyst, tax specialist).
 - **Mature Stage** (Post-Series C): Build a full-fledged finance function with dedicated teams for accounting, tax, FP&A, treasury and corporate affairs/investor relations.
- **Hire for Adaptability:**
 - Prioritize candidates who can handle multiple roles and adapt to changing business needs.
- **Leverage Technology:**
 - Use accounting and finance tools to streamline operations and reduce manual work.

Building the Finance Team

Competence

- **Skills:** Hire candidates with strong technical skills (e.g., accounting, financial modeling, tax compliance).
- **Adaptability:** Prioritize candidates who can handle multiple roles and adapt to changing business needs.
- **E.g.:** A startup might hire a finance professional who can manage both day-to-day accounting and strategic financial planning.

Capabilities

- **Technical Expertise:** Ensure the team has a solid foundation in accounting, tax, and financial reporting.
- **Strategic Thinking:** Look for team members who can provide insights to drive business growth and decision-making.
- **E.g.:** A Head of Finance with both accounting expertise and strategic vision can bridge the gap between operations and leadership.

Remote vs On-Site Teams

- **Remote:** Access to global talent, potential cost savings, and flexibility but may face communication challenges
- **On-Site:** Better collaboration, alignment with company culture but limited talent pool
- **E.g.:** A startup might hire remote accountants in a different country to reduce costs.
- A startup with a physical office might prefer on-site finance staff for closer collaboration.

In-House vs Outsourced

- **In-House:** Greater control, alignment with company culture, and faster communication.
- **Outsourced:** Cost-effective, access to specialized expertise, and scalability.
- **E.g.:** A startup with complex financial needs might hire an in-house CFO and accountant.
- A bootstrapped startup might outsource bookkeeping and tax filings to a third-party firm.

 **Actionable Tips:**
Start Lean, Invest in Leadership, Leverage Technology & Good Workflow, Regular Training



Tailor the Team

- Align the finance team's structure and roles with the startup's industry and operations.
- **E.g.:** A SaaS startup might prioritize hiring FP&A analysts to manage subscription revenue and customer lifetime value (LTV).
- An e-commerce startup might focus on hiring inventory and supply chain finance specialists.

Finance Team Deliverables



Daily

Invoicing & Payments:

- Generate invoices, follow up on payments, and process vendor payouts

Payroll Management:

- Calculate salaries, process payroll, and handle tax filings

Cash Flow & Expense Tracking:

- Monitor inflows/outflows, track expenses, and maintain financial records



Monthly

Management Accounts:

- Prepare and review monthly management accounts (P&L, Balance Sheet, Cash Flow Statement).
- E.g.: Analyze revenue, expenses, and net profit for the month.

Flux Analysis:

- Compare actual performance against the budget or past periods to identify variances.
- E.g.: Highlight overspending in marketing or higher-than-expected sales.



Quarterly

Investor Reporting:

- Prepare detailed reports for investors, including financial performance and key metrics.
- E.g.: Share updates on revenue growth, burn rate, and runway.

Forecasting Updates:

- Update financial forecasts based on the latest data and business trends.
- E.g.: Adjust revenue projections based on new customer acquisitions.



Yearly

Audited Financials:

- Annual audit to ensure accuracy and compliance.
- E.g.: Work with external auditors to review financial statements.

Tax Filings:

- Prepare and submit annual tax returns, corporate tax and payroll tax.

Strategic Planning:

- Develop long-term financial strategies and goals for upcoming year.
- E.g.: Plan for new market entry, product launches, or fundraising.



3 Year

Long-Term Financial Projections:

- Create detailed financial projections for the next 3 years, including revenue, expenses, and cash flow.
- E.g.: Project revenue growth based on market trends and business plans.
- Financial modeling tools like Excel/ Google Sheets.

Growth Strategies:

- Develop strategies to achieve long-term growth and profitability.
- E.g.: Plan for scaling operations, entering new markets, or launching new products.



Actionable Tips:

Practice Good Workflow, Regular Reviews, Clear Stakeholder Communication, Continuous Process Improvements

Impact of Finance Deliverables



On the Business

- **Ensures Financial Health and Sustainability:**
 - **Accurate Financial Reporting:** Provides a clear picture of the company's financial position, enabling informed decision-making.
 - **Cash Flow Management:** Ensures the company has sufficient liquidity to meet its obligations.
 - **Compliance:** Ensures adherence to legal and regulatory requirements, reducing the risk of penalties and audits.
- **Supports Growth and Scalability:**
 - **Budgeting and Forecasting:** Helps allocate resources effectively and plan for future growth.
 - **Investor Confidence:** Transparent and accurate financial reporting builds trust with investors.



Actionable Tips:

Regular Communication, Financial Literacy Training, Feedback Loop across Teams



Founder

- **Provides Clarity for Decision-Making:**
 - **Data-Driven Insights:** Financial reports and analysis provide founders with the information needed to make strategic decisions.
 - **Risk Management:** Identifies potential financial risks and provides recommendations for mitigation.
- **Enables Strategic Planning:**
 - **Long-Term Vision:** Financial projections and growth strategies help founders set long-term goals and priorities.
 - **Resource Allocation:** Helps founders allocate resources to high-impact areas.



Other Teams

- **Aligns Operations with Financial Goals:**
 - **Budget Adherence:** Ensures that all teams operate within their budgets, aligning spending with financial goals.
 - **Performance Metrics:** Provides teams with clear financial metrics to track their performance.
- **Facilitates Cross-Functional Collaboration:**
 - **Unified Goals:** Aligns the objectives of different departments with the company's financial goals.
 - **Transparency:** Regular financial updates keep all teams informed about the company's financial health.

Collaboration with Other Departments

Operations

- **Budgeting and Cost Management**

- Work with operations to create and manage budgets for production, logistics, and supply chain
- Finance teams help operations identify cost-saving opportunities
- E.g. Negotiating better supplier contracts and optimizing inventory levels
- Ensures efficient use of resources and reduces operational costs

- **Performance Metrics**

- Develop and track key performance indicators (KPIs) for operational efficiency
- Monitor metrics like cost per unit, production yield, and delivery times
- Provides insights to improve operational efficiency and profitability

Case – Sports platform:

Finance collaborates with operations to set optimal pricing for facility bookings by factoring in desired profit margins, local taxes (e.g., VAT, WHT), and commission structures for venue partners.

Impact:

Maintains competitive pricing while ensuring profitability and compliance with local tax regulations.

Collaboration with Other Departments

Sales

- **Revenue Forecasting**

- Partner with sales to create accurate revenue forecasts based on pipeline data and market trends
- Use historical sales data and market analysis to predict future revenue
- Helps the company plan for growth and allocate resources effectively

- **Pricing Strategies**

- Work with sales to develop pricing models that maximize profitability while remaining competitive
- Analyze competitor pricing and customer willingness to pay to set optimal prices
- Ensures pricing strategies align with financial goals and market conditions

Case – Sports platform:

Finance collaborates with sales to analyze historical booking trends and seasonality, enabling more accurate revenue projections and better capacity planning.

Impact:

Ensures realistic sales targets and improves resource allocation.

Collaboration with Other Departments

Marketing

- **ROI Analysis for Campaigns**

- Analyze ROI to determine campaign effectiveness
- Track metrics like CAC and LTV
- Helps allocate budgets to effective campaigns and channels

- **Budget Allocation**

- Assist in allocating budgets across various channels
- Use past campaign data to predict future performance
- Ensures marketing spend aligns with financial goals and maximizes ROI

Case – Sports platform:

Finance works with marketing to track Customer Acquisition Cost (CAC) across all channels, ensuring the marketing budget is allocated effectively to balance short-term user acquisition with long-term brand building.

Impact:

Ensures sustainable marketing investment, aligning spending with both growth objectives and long-term brand value.

Collaboration with Other Departments

Product

- **Funding for R&D and Innovation**
 - Collaboration with product teams to allocate funds
 - Develop a budget for new product development
 - Includes costs for prototyping, testing, and launch
 - Ensures innovation efforts are adequately funded
 - Align with company's strategic goals
- **Cost-Benefit Analysis**
 - Conduct analyses for new product initiatives
 - Assess financial viability of projects
 - Evaluate potential revenue and costs
 - Helps prioritize projects with highest return

Case – Sports platform:

Finance assesses the potential ROI of adding a new platform feature, ensuring that long-term revenue potential and customer value justify development costs.

Impact:

Prioritizes high-value product initiatives that enhance user experience while maintaining financial sustainability.

Recap & Key Takeaways for Session 1

1. Finance Function in Startups:

- Startups operate in high-uncertainty environments with limited resources.
- Finance teams must be agile, strategic, and efficient to support growth.

2. Structure of the Finance Function:

- Align the finance team structure with the startup's growth stage.

3. Building the Finance Team:

- Hire for skills, adaptability, and cultural fit.
- Leverage outsourcing and technology to manage costs and improve efficiency.

4. Finance Team Deliverables:

- Daily: Invoicing, payment, payroll, cash flow and expense tracking.
- Monthly: Management accounts, flux analysis.
- Quarterly: Investor reporting, forecasting updates.
- Annually: Audited financials, tax filings, strategic planning.

5. Impact of Finance Deliverables:

- Ensures financial health and sustainability.
- Provides clarity for founders' decision-making.
- Aligns operations with financial goals.

6. Collaboration with Other Departments:

- Finance works closely with operations, sales, marketing, and product teams.
- Ensures financial goals align with business objectives.

Actionable Insights:

- Start lean and scale the finance function as the business grows.
- Prioritize transparency, accuracy, and compliance in financial reporting.
- Use technology and good workflow to improve efficiency.
- Foster cross-functional collaboration to drive business success.

Session 2:

Financial Planning for Startups:

Flux Analysis, Budgeting & Extending

Runway

Key Financial Metrics

Metrics	Details
Quick Ratio: $\frac{\text{Current Assets} - \text{Inventory}}{\text{Current Liabilities}}$	<ul style="list-style-type: none"> Measures the company's ability to meet short-term obligations without selling inventory. A quick ratio of 1.5 indicates that the company has 1.5x in liquid assets for every \$1 of current liabilities.
Current Ratio: $\frac{\text{Current Assets}}{\text{Current Liabilities}}$	<ul style="list-style-type: none"> Assesses the company's ability to cover short-term liabilities with short-term assets. A current ratio of 2.0 means the company has twice as many current assets as current liabilities.
Debt Ratio: $\frac{\text{Total Debts}}{\text{Total Assets}}$	<ul style="list-style-type: none"> Indicates the proportion of a company's assets financed by debt. A debt ratio of 0.6 means 60% of the company's assets are financed by debt.
Gearing Ratio: $\frac{\text{Total Debts}}{\text{Total Equity}}$	<ul style="list-style-type: none"> Assesses the proportion of a company's capital that is financed by debt compared to equity. A gearing ratio of 50%, meaning that for every \$1 of equity, it has \$0.50 of debt.
Gross Margin: $\frac{\text{Revenue} - \text{COGS}}{\text{Revenue}}$	<ul style="list-style-type: none"> Indicates the percentage of revenue remaining after covering the cost of goods sold (COGS). A gross margin of 40% means the company retains \$0.40 from each dollar of revenue after accounting for COGS.

Metrics	Details
Net Profit Margin: $\frac{\text{Net Income}}{\text{Revenue}}$	<ul style="list-style-type: none"> Shows the percentage of revenue that translates into profit after all expenses. A net profit margin of 15% means the company earns \$0.15 in profit for every dollar of revenue.
Return on Equity: $\frac{\text{Net Income}}{\text{Shareholder Equity}}$	<ul style="list-style-type: none"> Measures the return generated on shareholders' investments. An ROE of 20% indicates that the company generates \$0.20 for every dollar of equity.
Customer Acquisition Cost (CAC)	<ul style="list-style-type: none"> Measures the cost to acquire a new customer. A CAC of \$100 means the company spends \$100 to acquire each new customer.
Lifetime Value (LTV):	<ul style="list-style-type: none"> Estimates the total revenue a company can expect from a customer over their lifetime. An LTV of 500 means each customer contributes \$500 in revenue over customer life.
Burn Rate	<ul style="list-style-type: none"> Tracks the net cash outflow each month. A burn rate of \$50,000 means the company's expenses exceed its revenue by \$50,000 monthly.
Runway: $\frac{\text{Cash Reserves}}{\text{Monthly Burn Rate}}$	<ul style="list-style-type: none"> Indicates how long the company can operate before running out of cash. A runway of 12 months means the company has enough cash to operate for one year at the current burn rate.

Session 1: Foundations of Startup Finance

Session 2: Financial Planning for Startups: Flux Analysis, Budgeting & Extending Runway

- Linking P&L, Cash Flow and Growth
- Examples of Profitable Startups Facing Cash Flow Problems
- Flux Analysis:
 - Intro
 - Case Study
- Budgeting & Forecasting:
 - Steps
 - Best Practices
- Extending Runway:
 - Cash Management
 - Burn Rate Management

Session 3: Strategic Finance: Investor Relations, Fundraising, M&A, and Tools for Efficiency

Linking P&L, Cash Flow, and Growth

• P&L (Profit & Loss):

- Tracks **profitability** by comparing revenue and expenses against budget or over previous periods

• Cash Flow:

- Tracks **actual cash inflows and outflows**, ensuring liquidity to meet obligations and sustain operations.
- **Positive cash flow** = Ability to cover costs, invest in growth, and avoid financial distress.

• Growth:

- Requires **balancing profitability and cash flow** to fund expansion while maintaining financial stability.
- Reinvest profits into marketing, hiring and expansion while preserving cash reserves.

• Profitability ≠ Survival:

- A business can be **profitable on paper** but still fail if it runs out of cash.
- **Free Cash Flow (FCF)**, the cash left after covering operating expenses and capital expenditures, is critical for:
 - Paying suppliers and employees
 - Investing in growth initiatives
 - Withstanding financial shocks
- A company with **high profits but poor cash flow** may struggle with day-to-day operations and risk insolvency.



Key Takeaway:

Profitability alone doesn't guarantee survival. Free cash flow determines a startup's ability to operate, grow, and handle financial challenges.

Examples of Profitable Startups Facing Cash Flow Problems

Case 1: Fast-Growing SaaS Startup (Cash Flow Timing Issue)

Scenario: The company reports **\$1M in annual profit**, but customers pay on a **90-day cycle**, while salaries, rent, and expenses are **paid monthly**.

Cash Flow Issue: Despite being profitable, the business faces **short-term cash shortages**.

Solution:

- Negotiate **faster customer payment terms** or **offer discounts for early payments**.
- Use **invoice factoring** or **short-term financing** to bridge the cash gap.

Case 2: E-Commerce Business with High Inventory Costs

Scenario: The company earns a profit on sales, but **most of its cash is tied up in inventory**.

Cash Flow Issue: Large upfront inventory purchases **lock up cash**, making it hard to pay suppliers or restock high-demand items.

Solution:

- Improve **inventory turnover**. Reduce excess stock and order based on demand forecasts.
- Negotiate **supplier credit terms** to delay cash outflows.

Case 3: Startup Overinvesting in Growth (High Burn Rate)

Scenario: A well-funded startup aggressively spends on **marketing, hiring, and product expansion**, focusing on revenue growth.

Cash Flow Issue: The company **burns cash faster than it collects revenue**, shortening its runway despite strong sales.

Solution:

- **Optimize marketing spend**. Prioritize high-ROI channels.
- **Balance growth with sustainability**. Adjust hiring and expansion pace.
- Improve **cash flow forecasting** to align spending with revenue collection.

Flux Analysis: Intro

Flux Analysis (aka Variance Analysis):

- **What It Is:** Examines changes in financial metrics over time or against budgets.
- **Significance:** Identifies trends and anomalies, informs decision-making, and ensures accountability.
- **How It's Done:**
 1. Compare actual results (from monthly management accounts) against:
 - Previous month
 - Same month last year
 - Budgeted figures
 2. Calculate variances and analyze deviations.
 3. Identify root causes of significant changes.
 4. Take corrective action to optimize financial performance.

Key Considerations:

- Relies on accurate and timely financial data. Proper bookkeeping is essential.
- "Garbage in, garbage out": Poor data leads to misleading insights and bad decisions.
- A startup with clean, up-to-date books can quickly detect a major variance in spending and adjust before it impacts cash flow.

Flux Analysis: Case Study

Scenario: FitConnect, a Series A sports platform startup, connects gyms and fitness studios with users for flexible bookings. After raising \$5M in funding, they are aggressively expanding.

However, their latest monthly financial review revealed a major variance between budgeted vs. actual cash flow, raising concerns among investors. The CEO has asked the finance team to investigate the discrepancies and propose corrective actions.

Key Financial Data for July 2024:

Category	Budgeted	Actual
Revenue	\$500,000	\$420,000
Marketing Spend	\$100,000	\$140,000
Customer Acquisition	5,000 users	3,200 users
Burn Rate (Monthly Cash Outflow)	\$180,000	\$300,000
Cash (Ending Balance)	\$1,620,000	\$1,500,000

Question:

1. What are the key variances in the financials?
2. What might have caused the revenue shortfall?
3. What factors could explain the marketing overspend?
4. How do these variances impact the company's cash flow?
5. What budget adjustments should FitConnect make for the next quarter?
6. What other actions can FitConnect take to improve financial stability?

Flux Analysis: Case Study

Answers:

Key Financial Data for July 2024:

Category	Budgeted	Actual	Variance (\$)	Variance (%)
Revenue	\$500,000	\$420,000	-\$80,000	-16%
Marketing Spend	\$100,000	\$140,000	+\$40,000	+40%
Customer Acquisition	5,000 users	3,200 users	-1,800 users	-36%
Burn Rate (Monthly Cash Outflow)	\$180,000	\$300,000	+\$120,000	+67%
Cash (Ending Balance)	\$1,620,000	\$1,500,000	-\$120,000	-7%
Runway (Months)	9 months	5 months	-4 months	-44%

- 1. What are the key variances in the financials?**
 1. Revenue is **16% lower** than expected.
 2. Marketing spend is **40% higher** than budgeted.
 3. Customer acquisition is **36% lower** than target.
 4. Burn rate is **67% higher** than budgeted, while cash ending balance is **7% below projection**, affecting runway.
 5. Runway is now **5 months, half** of the expected 9 months.
- 2. What might have caused the revenue shortfall?**
 1. Lower customer retention.
 2. Seasonality affecting bookings.
 3. Increased competition or pricing issues.
- 3. What factors could explain the marketing overspend?**
 1. Spending more per user due to lower conversion rates.
 2. Ineffective marketing channels.
 3. Delayed ROI from branding campaigns.

Flux Analysis: Case Study

Answers:

4. How do these variances impact cash flow?

1. Lower revenue + overspending = faster burn rate.
2. Less cash runway for operations.
3. Potential difficulty in hitting the next fundraising milestone.

Key Insights:

- Burn rate is significantly higher than expected (+39%), reducing available cash runway.
- Revenue is lower, marketing spend is higher, and user acquisition is struggling → Funding risk.
- With only 5 months of cash left, FitConnect must act fast to control spending and improve efficiency.

5. How should FitConnect adjust its budget or cash flow forecast for the next quarter?

1. **Revise Revenue Projections:** Adjust forecasts to reflect slower-than-expected customer acquisition and lower utilization rates.
2. **Update CAC Assumptions:** Incorporate the rising CAC trend into the budget and reassess marketing efficiency.
3. **Recalculate Runway:** With only 6 months of runway, create a more conservative cash flow plan to ensure sustainability.
4. **Scenario Planning:** Model best-case, base-case, and worst-case scenarios to prepare for further potential shortfalls

Flux Analysis: Case Study

Answers:

6. What corrective actions should they take to prevent further cash flow issues?

1. **Optimize Marketing Spend:** Shift budgets from underperforming channels to higher-converting channels.
2. **Improve Pricing Strategy:** Consider small price adjustments to increase per-user revenue without hurting conversion.
3. **Negotiate Vendor Terms:** Extend payment terms with suppliers or negotiate bulk discounts to ease cash outflows.
4. **Explore Revenue-Generating Partnerships:** Partner with fitness brands or influencers to drive organic growth.
5. **Reduce Unnecessary Expenses:** Identify and cut discretionary spending that doesn't directly contribute to revenue.
6. **Consider Short-Term Financing:** If necessary, explore bridge financing or venture debt to extend the cash runway.

CFO's Perspectives:

1. If you were the CFO, what **immediate actions** would you take?
2. What **alternative strategies** could help stabilize cash flow?
3. Should the company **cut marketing spend** or **reallocate it to better-performing channels**?

Key Insights to Highlight for the Practice of Flux Analysis:

- Flux analysis is crucial for detecting financial risks early.
- Forecasting must account for realistic revenue and customer acquisition trends.
- Startups must balance growth spending with cash flow sustainability.

Budgeting & Forecasting: Steps

Step 1: Communicate with Operational Teams

- Engage with founders, CEO, operations, sales, marketing, and product teams to align financial forecasts with business goals.
- Gather insights on revenue pipeline, expected expenses, and market trends.

Step 2: Use Dependent Variables

- Identify key drivers of revenue and expenses (e.g., # of transactions, average order value (AOV), customer acquisition cost (CAC)).
- Project revenue considering historical transaction data and market trends.
- Creates a data-driven foundation for financial projections.

Step 3: Create Financial Projections

- Develop three scenarios to capture a range of potential outcomes:
 - **BAU (Business As Usual):** Assumes no significant changes in operations, market conditions, or strategy.
 - E.g.: Monthly growth remains at 5%, consistent with historical performance.
 - **Base Case (Realistic):** Assumes moderate improvements in operations, market conditions, or strategy.
 - E.g.: Monthly growth increases to 10% due to new marketing initiatives.
 - **Best Case (Optimistic):** Assumes significant improvements in operations, market conditions, or strategy.
 - E.g.: Monthly growth accelerates to 20% due to a successful product launch and market expansion.
- Produce a range of outcomes to guide decision-making, from conservative to aggressive strategies.



Align Budgets with Strategic Goals

- Ensure budgets support the company's long-term objectives (e.g., market expansion, product development).
- Allocate funds to R&D if innovation is a key strategic goal.



Regularly Review and Adjust

- Conduct monthly or quarterly reviews to compare actual performance against the budget.
- If marketing spend exceeds budget but drives higher revenue, adjust the budget to reflect new priorities.

Extending Runway: Cash Management

Forecast Cash Needs

- Estimate future cash inflows and outflows
- Identify potential shortfalls
- E.g.: Rolling 13-week cashflow forecast
 - Project cash needs for the next 13 weeks
 - Based on sales forecasts and expense trends

Maximize Returns on Idle Cash

- Invest surplus funds in low-risk, liquid assets (e.g., government bonds, time deposits).
 - E.g.: money market funds
- Ensure easy access to funds when needed.

Maintain a Buffer

- To cover unforeseen costs

Extending Runway: Burn Rate Management

Why Burn Rate Management Matters

- Tracks the rate at which the company spends cash each month.
- Helps determine how long the company can sustain operations.
- E.g.: \$100K/month burn rate with \$1M in cash reserves gives a 10-month runway

Action Plan to Manage Burn Rate

- **Adjust Variable Costs:** Reduce discretionary spending (e.g., marketing, travel).
- **Leverage Interest Income:** Earn passive returns on idle cash.

Key Considerations

- **Cash Burn vs. Growth Expectations:** Balancing aggressive growth with sustainable cash flow
- **Dynamic Operational Changes:** Adapting quickly to shifts in demand, market trends, and financial constraints.
- **Team Capability and Alignment:** Ensuring the finance team has the right expertise to support decision-making.

Session 3:

Strategic Finance:

Investor Relations, Fundraising, M&A

Session 1: Foundations of Startup Finance

Session 2: Financial Planning for Startups: Flux Analysis, Budgeting & Extending Runway

Session 3: Strategic Finance: Investor Relations, Fundraising & M&A

- Case Study: Fundraising Dilemma
- Investor Relations
 - Intro
 - Key Metrics Investors Care About
- Fundraising
 - Preparing for Fundraising
 - Fundraising Stages
 - Negotiating Term Sheets
- M&A
 - Introduction to M&A in Startups
 - Finance's Role in M&A
 - Post-Merger Integration

Case Study: Fundraising Dilemma

Scenario: FitConnect, a **Series A** sports platform startup, connects sports facility owners with users through an easy-to-use booking platform. The company operates in **three major cities** and gained **strong initial traction**, but **growth has slowed** due to financial constraints.

Now, **18 months into operations**, FitConnect seeks to raise a **Series B** round (**\$20M-\$25M**) to:

- Expand into **new markets**
- Enhance **product features**
- Optimize **customer acquisition strategies**

However, investor meetings have surfaced concerns regarding **financial performance and scalability**:

- **High Burn Rate:** Spending **\$250K/month**, with only **6 months of cash runway** remaining.
- **Rising CAC (+25%):** Customer acquisition costs have increased over the past 6 months, impacting profitability.
- **Declining Conversion Rates:** Marketing spend is **40% over budget**, but customer acquisition is **36% below target**.
- **Investor Skepticism:** Uncertainty about FitConnect's ability to **transition from a transaction-based model to a higher-margin, recurring revenue model**.

Case Study: Fundraising Dilemma

Key Financial Data:

Monthly Revenue	\$420,000
Monthly Burn Rate	\$250,000
Cash Reserves	\$1,500,000
Customer Acquisition Cost (CAC)	\$120
Marketing Spend	\$140,000
Customer Acquisition	3,200 users
Conversion Rate	2.5%
Target Fundraising Amount	\$20,000,000

Question:

1. How might these concerns impact investor confidence?
2. Should FitConnect adjust its fundraising target? Why or why not?
3. What operational or financial improvements should FitConnect implement before raising funds?
4. What key financial metrics should FitConnect emphasize to investors?
5. What fundraising alternatives could FitConnect consider if investors are hesitant about Series B?
6. How can FitConnect leverage existing investors to support fundraising?
7. If FitConnect secures the Series B (or an extension), how should they allocate resources to address key issues?

Case Study: Answers

Answers:

1. How might these concerns impact investor confidence?

1. Short runway may make investors reluctant, fearing a rushed next round.
2. Inefficient marketing spend signals that FitConnect is burning cash without clear returns.
3. Business model uncertainty. Investors prefer scalable, predictable revenue models (e.g., SaaS or subscriptions vs. transactional).

2. Should FitConnect adjust its fundraising target? Why or why not?

1. If FitConnect cannot justify a full \$20M raise, it may be better to pursue a Series A extension (e.g., \$5M-\$10M) to improve key metrics before a larger round.
2. A lower target ensures less dilution while addressing core financial challenges.

3. What operational or financial improvements should FitConnect implement before raising funds?

1. Improve CAC & conversion rates: Shift budget to high-performing acquisition channels.
2. Test recurring revenue models: Introduce subscriptions or enterprise partnerships for revenue predictability.
3. Optimize marketing spend: Identify & cut low-ROI campaigns and reinvest in higher-yield strategies.

4. What key financial metrics should FitConnect emphasize to investors?

1. Improved CAC payback period. Show a plan to reduce customer acquisition cost over time.
2. Revenue diversification strategy. Highlight efforts to shift from a one-time transaction model to recurring revenue.
3. Path to profitability. Project when burn rate will slow relative to revenue growth.

Case Study: Answers

Answers:

5. What fundraising alternatives could FitConnect consider if investors are hesitant about Series B?

1. Venture Debt: Provides runway extension with less dilution.
2. Strategic Partnerships: Partner with sports brands, equipment providers, or gym chains for investment.
3. Revenue-Based Financing: Raise funds based on future revenue rather than equity dilution.

6. How can FitConnect leverage existing investors to support fundraising?

1. Bridge round: Convince existing Series A investors to provide an interim raise to hit key metrics before a full Series B.
2. Warm introductions: Existing investors can leverage their network to bring in potential new backers.
3. Reinvesting credibility: If existing investors reinvest, it signals confidence to new investors.

7. If FitConnect secures the Series B (or an extension), how should they allocate resources to address key issues?

1. 40% to marketing & acquisition efficiency → Shift budget toward the highest-performing acquisition channels and optimize pricing strategies.
2. 30% to product innovation → Introduce premium features or memberships to diversify revenue.
3. 20% to operational scalability → Expand into new markets efficiently rather than rapid, uncontrolled expansion.
4. 10% as cash buffer → Extend runway to avoid another funding crunch too soon.



Regular Investor Reporting and Transparency

- Provide investors with timely and structured updates covering:
 - **Financial Metrics:** Revenue growth, burn rate, runway, unit economics.
 - **Operational Metrics:** Customer acquisition, retention, conversion rates, and market expansion.
 - **Business Updates:** New product launches, market entries, partnerships, and key marketing initiatives.
 - **Board Support & Approvals:** Key decisions requiring board input, such as fundraising strategy, budget approvals, or strategic hires.



Reporting Frequency and Format

- **Monthly Reports:**
 - Financial statements (P&L, balance sheet, cash flow).
 - Key performance metrics and variance analysis.
- **Quarterly Board Decks:**
 - Deeper analysis: Flux analysis, revenue trends, CAC and LTV movements.
 - Business updates: Expansion plans, competitive landscape, operational challenges.
 - Board-level decisions: Budget adjustments, major investments, strategic pivots.



Clear Communication of Financial Performance and Strategy

- Articulate the company's financial health, growth strategy, and risks
- Use visual aids (charts, graphs, dashboards) to present complex data in a digestible way.
- Ensure alignment between financials, business performance, and strategic direction.



Why This Matters

- Investors don't just track financials. They assess **business performance, scalability, and risks.**
- Clear, structured reporting **builds trust and strengthens investor confidence.**
- Well-prepared reports **enable more effective board discussions and support strategic decision-making.**

Key Metrics Investors Care About

Growth & Performance Metrics

- **Revenue Growth:** Measures the company's ability to scale sales over time.
 - E.g.: 20% month-over-month revenue growth signals strong market traction.
- **Customer Retention & Churn Rate:** Indicates long-term revenue sustainability.
 - E.g.: A low churn rate suggests high customer satisfaction and repeat business.

Financial Health & Sustainability

- **Burn Rate & Runway:** Tracks how long the company can sustain operations with existing cash.
 - **Burn Rate:** Monthly net cash outflow.
 - **Runway:** Cash reserves ÷ Burn Rate.

Efficiency & Unit Economics

- **Customer Acquisition Cost (CAC):** Cost to acquire a new customer.
- **Lifetime Value (LTV):** Total revenue expected from a customer over their lifetime.
- **LTV to CAC Ratio:** A measure of business sustainability and scalability.
 - E.g.: A ratio of 3:1 or higher indicates a strong business model.
- **Gross Margin:** Profitability after direct costs of delivering a product or service.
 - E.g.: SaaS startups typically target 75-80% gross margins.



Why These Metrics Matter

- Investors assess startups not just on **growth** but on **sustainability, efficiency, and profitability**.
- Strong **unit economics** and **runway management** indicate a well-managed business with clear scalability potential.
- These metrics help investors decide whether a startup is **fundable, scalable, or at risk of running out of cash**.

Rule of 40 (SaaS Startups): A Quick Guide

- **Definition:** A SaaS company's **revenue growth rate + profit margin** should be at least **40%** for sustainable growth.
- **Example:** If a startup grows **30% YoY** and has a **10% profit margin**, it meets the Rule of 40 (30% + 10% = 40%).
- **Why It Matters:** Investors use this benchmark to assess whether a SaaS business is **balancing growth and profitability effectively**.

Step 1: Build a Compelling Financial Narrative

- **What It Means:** Tell a clear, data-backed story about why the company is an attractive investment.
- **Key Elements to Cover:**
 - **Growth Potential:** Revenue growth trends, TAM (Total Addressable Market), market expansion plans.
 - **Competitive Advantage:** What differentiates the business from competitors? Strong retention? Low CAC? Network effects?
 - **Sustainability:** How will the company balance growth and financial discipline?
- **Example:** *Showcasing a 5x revenue growth projection over the next 3 years, with improving margins and strong customer retention.*

Step 2: Create Robust Financial Projections

- **Why It Matters:** Investors look for **realistic, well-modeled financials** that reflect different potential scenarios.
- **Key Components:**
 - **Base Case:** Expected, steady growth based on current traction.
 - **Best Case:** Aggressive but **data-supported upside** (e.g., viral adoption, market tailwinds).
 - **Worst Case:** Conservative outlook, stress-tested against risks like lower customer retention or slower adoption.
- **Include:**
 - Revenue, expenses, cash flow forecasts.
 - Burn rate, runway, CAC vs. LTV, gross margins.
 - Break-even analysis (if applicable).

Step 3: Prepare an Investor-Ready Pitch Deck

- **What Investors Expect:** A pitch deck that is **clear, concise, and data-driven**.
- **Key Financial Slides to Include:**
 - **Revenue Growth** (Actual & projected).
 - **Burn Rate & Runway** (Cash sustainability).
 - **Unit Economics** (CAC, LTV, margins).
 - **Cash Flow Forecast & Fund Utilization** (How new funds will be deployed).
- **Best Practices:**
 - Keep financial slides **visually engaging** (graphs, trend lines, KPI callouts).
 - **Anticipate investor concerns** and include insights into risk mitigation.



Why This Matters to Investors

- A **compelling financial narrative** shows **vision, strategy, and execution discipline**.
- **Strong financial projections** signal **preparedness and awareness of business risks**.
- A **data-driven pitch deck** makes it easier for investors to **quickly evaluate potential returns**.

Fundraising Stages



Seed



Series A



Series B

- **Purpose:** Validate the business model, achieve initial traction, and refine the product.
 - **Typical Fundraise:** \$500K – \$2M.
 - **Common Use of Funds:**
 - Build and test **Minimum Viable Product (MVP)**.
 - Acquire **early adopters** and refine go-to-market strategy.
 - Prove initial **unit economics** (CAC, retention, LTV).
 - **Investor Expectations:**
 - Demonstrated **early customer demand**.
 - Signs of **scalability** with an efficient **customer acquisition model**.
- **Purpose:** Strengthen the core business, optimize operations, and establish a repeatable revenue model.
 - **Typical Fundraise:** \$5M – \$15M.
 - **Common Use of Funds:**
 - Expand **go-to-market teams** (sales, marketing).
 - Enhance **customer retention & engagement**.
 - Improve **unit economics** and **optimize CAC/LTV ratio**.
 - **Investor Expectations:**
 - Proven **revenue growth** with strong **retention metrics**.
 - Clear **path to scalability** with **efficient capital deployment**.
 - Sustainable **burn rate management** to extend runway.
- **Purpose:** Expand into new markets, invest in product innovation, and accelerate growth.
 - **Typical Fundraise:** \$20M.
 - **Common Use of Funds:**
 - **Geographic expansion** or product diversification.
 - Scaling **customer acquisition** while maintaining strong **unit economics**.
 - Driving towards **profitability** or **IPO-readiness**.
 - **Investor Expectations:**
 - Strong **revenue momentum & operational efficiency**.
 - Evidence of **moat-building & competitive differentiation**.
 - Sustainable cash flow with **clear visibility into profitability**.
- **How This Ties into Fundraising Readiness**
 - **Investors evaluate startups differently at each stage.**
 - **Knowing the right fundraising target and what investors expect at each round helps in securing capital efficiently.**
 - **The fundraising amount should align with key milestones to avoid over- or under-raising.**



Negotiating Term Sheets

Key Terms	Details
Valuation: Pre-Money vs. Post-Money	<ul style="list-style-type: none">• Definition: Determines the company's worth before and after investment.• Formula: $\text{Pre-Money Valuation} + \text{New Investment} = \text{Post-Money Valuation}$• Example:<ul style="list-style-type: none">• A startup with a \$10M pre-money valuation raises \$2M.• Post-money valuation = \$12M → Investor now owns 16.7% equity ($\\$2\text{M} \div \\12M).• Key Consideration: Higher valuation = less dilution but may create higher future expectations for growth.
Liquidation Preferences: Investor Downside Protection	<ul style="list-style-type: none">• Definition: Determines payout priority in an exit or liquidation event.• Common Structures:<ul style="list-style-type: none">• 1x liquidation preference → Investors get their investment back first before common shareholders.• Participating vs. Non-Participating:<ul style="list-style-type: none">• Participating: Investors get both their original investment + a share of remaining proceeds.• Non-Participating: Investors choose either their original investment or their equity stake.• Example: If an investor puts in \$2M with a 1x participating liquidation preference, and the company is acquired for \$10M, the investor gets their \$2M back plus their % share of the remaining \$8M.• Key Consideration: Founders should limit investor-friendly terms that reduce upside for common shareholders.
Board Seats & Control Rights	<ul style="list-style-type: none">• Definition: Investors may request board representation to influence company decisions.• Example: A lead investor may request one board seat out of five to protect their interests.• Other Control Terms to Watch:<ul style="list-style-type: none">• Protective Provisions: Investors may require approval rights over major decisions (e.g., hiring executives, future fundraising, M&A).• Drag-Along Rights: Allows majority shareholders to force minority shareholders to sell in an acquisition.• Key Consideration: Founders must balance investor oversight with maintaining decision-making autonomy.



How This Ties Into Fundraising Strategy

- Founders should **negotiate beyond just valuation**. A high valuation with **investor-favorable terms** may create **long-term risks**.
- **Understanding trade-offs between valuation, liquidation preferences, and control rights** is critical for securing a founder-friendly deal.

Why M&A?

Accelerate Growth

(Market Consolidation & Competitive Advantage)

- Expand market share by acquiring **competitors or complementary businesses**.
- E.g.: A SaaS startup acquires a direct, smaller competitor to **expand its customer base and eliminate pricing competition**.

Expand into New Markets/Verticals

(Geographic & Product Expansion)

- Enter **new geographies, industries, or customer segments** through strategic acquisitions.
- E.g.:
 - A regional e-commerce platform acquires a local logistics provider to **streamline fulfillment and reduce costs**.
 - E.g.: A **food delivery startup acquires a grocery delivery service** to diversify its business model.

Acquire Talent or Technology

- Gain specialized expertise, intellectual property, or new product capabilities.
- E.g.: A fintech startup acquires a blockchain company to **enhance its product offerings and enter the Web3 market**.

Achieve Cost Efficiencies & Synergies

- Reduce operating expenses by **consolidating overlapping functions** (e.g., finance, HR, tech infrastructure).
- E.g.: Two startups in the same industry merge to **share resources and eliminate redundant expenses**.

Finance's Role in M&A

Due Diligence: Identifying Risks & Opportunities

- Assess the target company's financial health, risks, and synergies
- Review financial statements, contracts, and tax compliance and outstanding liabilities
- **Key Question:** *Does the acquisition strengthen long-term financial sustainability?*

Valuation: Determining a Fair Price

- Use comparable approach and DCF analysis to estimate the target's value
- Consider strategic value - **is the acquisition accretive or dilutive to earnings?**
- **Key Question:** *Is the target company priced appropriately based on expected synergies?*

Integration: Aligning Financial Systems & Operations

- Consolidate **accounting systems, reporting structures, and internal controls.**
- Ensure smooth **cultural and team integration** to maximize productivity.
- **Key Question:** *How quickly can the companies operate as one cohesive unit?*



How This Ties Into Fundraising & Investor Expectations

- **M&A is a key strategic option for scaling beyond organic growth, often backed by Series B+ investors.**
- Investors assess **whether M&A enhances enterprise value or creates unnecessary risk.**
- **A well-executed M&A strategy can drive long-term valuation growth and increase investor confidence.**

Post-Merger Integration

Financial & Systems Integration

- **Objective:** Unify financial reporting and accounting systems to ensure **consistent, accurate financial oversight**.
- **Key Actions:**
 - Consolidate **financial statements and reporting structures**.
 - Integrate or migrate to a **unified ERP system** (e.g., Oracle Netsuite, SAP, or Xero for startups).
 - Align **tax reporting, compliance, and payroll systems** across entities.

Operational & Process Alignment

- **Objective:** Standardize workflows and ensure seamless collaboration across teams
- **Key Actions:**
 - Develop **SOPs (Standard Operating Procedures)** for key processes.
 - Review and eliminate **redundant or overlapping functions**.
 - Align operations, e.g. customer support, fulfillment, and supply chain

Team & Culture Integration

- **Objective:** Minimize friction, retain talent, and maintain productivity during the transition.
- **Key Actions:**
 - Conduct **cross-functional workshops** to align teams on new workflows and expectations.
 - Identify key personnel and ensure **role clarity & leadership alignment**.
 - Address cultural differences and establish a **unified company vision**.



How This Ties into the M&A Process

- Post-merger success depends on **seamless financial, operational, and cultural integration**.
- Investors assess M&A outcomes based on **how efficiently the merged entity operates and generates synergies**.



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