

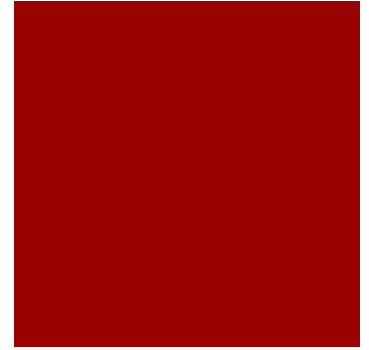


Preparing Winning Business Plans

Wharton Business Plan Competition
February 26, 2009

Agenda

- Why A Business Plan
- Content and Organization
- What I Love to See in a Business Plan
- What I Hate to See in a Business Plan
- Questions and Answers

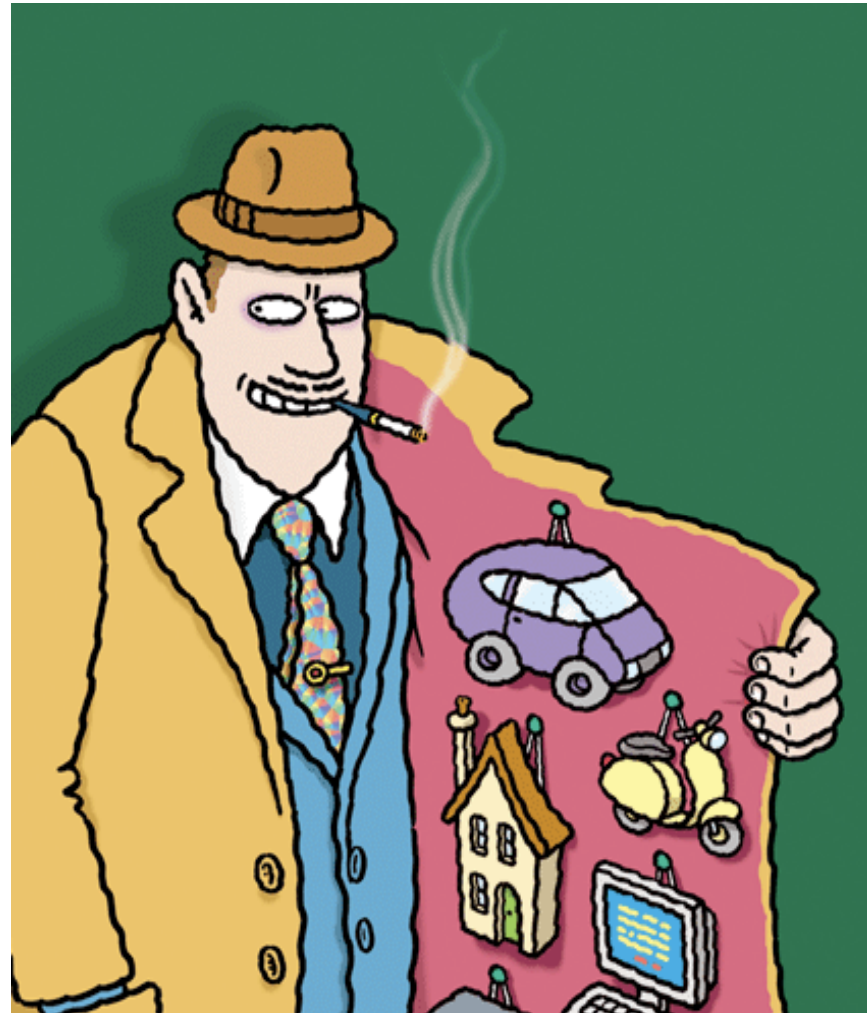


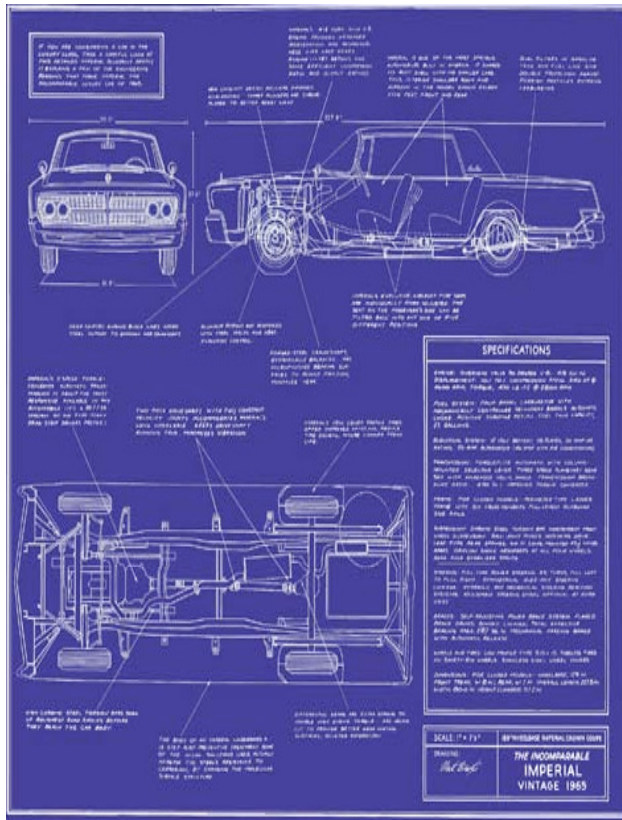
WHY SHOULD I PREPARE A BUSINESS PLAN?



To Raise Capital

- In this respect it is a selling document
- Presume review by sophisticated parties
- Used as a filter, only gets you part way down the path to funding





As a Blueprint

- “If you don’t know where you are going any road will take you there”
- If you satisfy the blueprint objective, you will increase the likelihood of raising capital
- It is rare that you see a plan that is entirely creative...draw on the blueprints of others
- Blueprints typically include conceptual drawings and/or “working drawings”

Use the Plan Retrospectively

- Plans should be reviewed periodically
- This is routinely the case with regard to budgets but often not the case with regard to strategy/tactics
- Management should learn from successes and failures and adjust accordingly



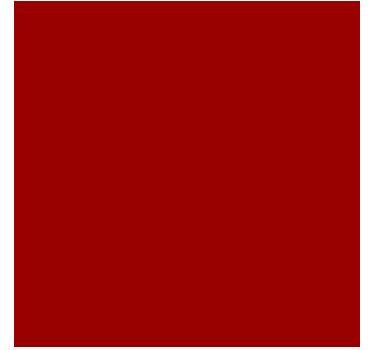
It's All a Probability Game



- Business planning should be used to identify a path for success
- But the plan should also be used to eliminate opportunity for failure
- Use the process to stack the odds in your favor - play the venture as you would a poker hand

When Preparing the Plan...

- Draw actively from outside sources/experts
- Consider establishing an advisory board. Draw actively from your executives, professionals, advisors
- Let mentors/angels/investors review a preliminary draft
- Recognize your weaknesses and compensate accordingly in the drafting process
- Connect words with numbers – they are inextricably linked



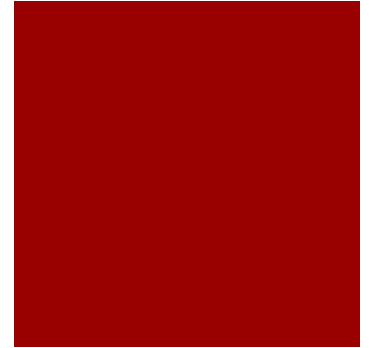
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Content and Organization of Plan

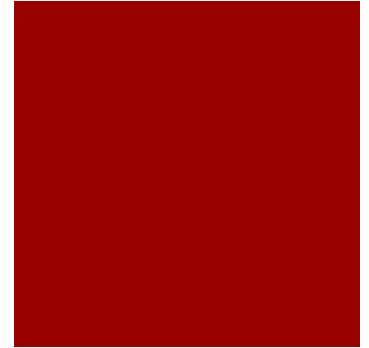
**Structure is NOT “one size fits all”
but...**

Executive Summary

- Not an introduction or background statement...it synthesizes the remainder of the plan
- It can be effective to have the organization of the executive summary track the organization of the rest of the plan
- Crucial to hook the reviewer immediately
- Short but not too short
- Summarize both opportunity and financial implications
- Appears first but should be written last



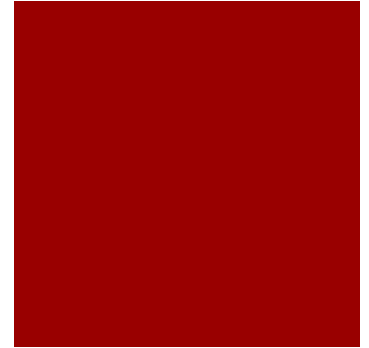
General Company Description



- 100,000 foot description of business
- History of business (brief and relevant)
- Existing/near term business lines
- Future business lines (intermediate/long term)
- Growth opportunities/growth strategy
- Company objectives

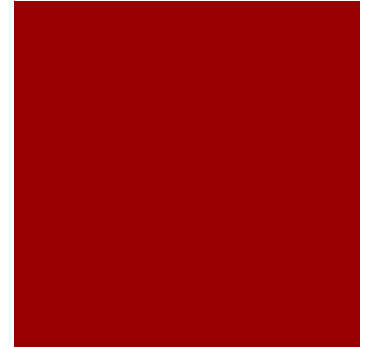
Products and Services

- Description of company offerings
- Overview of key attributes
- Planned enhancements/future offerings
- Pricing considerations
- Competitive matrix comparing attributes of your products/services to those of primary competitors

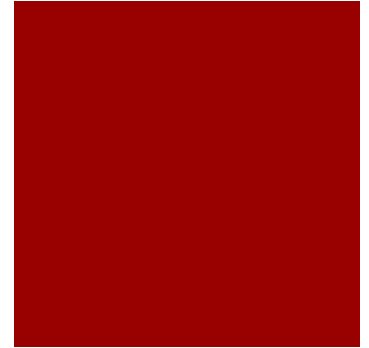


Marketing Plan

- **Market Background**
 - Size, trends, opportunities
- **Marketing and Sales Strategy**
 - Overview of tactics generating revenue
- **Competition**
 - Objective, comprehensive review
- **Expected revenue growth**
 - Present expected sales and underlying assumptions (brick by brick – bottom up not top down – support where possible)

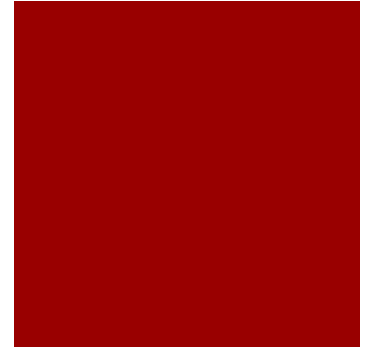


Operational Plan



- **“Production”/Operations**
 - How does the company deliver its product or services
- **Research and Development**
 - What existing and ongoing activities will the company undertake to develop its offerings
- **Customer service/support**
 - How will the company support its customer base after the sale

Management and Organization



- Review of founders/senior executives/advisors/directors
- Review of organization including org chart and/or headcount (give sense of how organization will develop along with company development).
- Culture/strategy/option plans/etc.

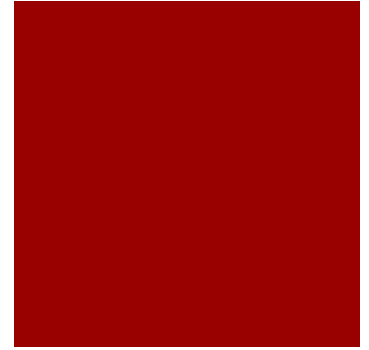
Capitalization and Structure



- Business form
- Investors to date
- Existing shareholders
- Uses/Sources of Proceeds

Financial Model

- Five years of income statements (quarterly and annual)
- Five years of cash flow (quarterly and annual))
- Five years of balance sheets (quarterly and annual)
- Detailed table of assumptions – support your financial model in the most compelling way possible
- “Drill down” format



What I Love to See in Business Plans



- Compelling team (industry experience)
- Leanness
- Focus then diversification
- Market opportunity (by virtue of growth, insulation from competition, etc.)
- Narrowed the leap of faith
- Attention to detail
- Objectivity
- Innovators not pioneers
- Recurring revenue (can this be “engineered” into the business model)

What I Hate to See in Business Plans



- Over optimism
- Unrealistic time frame
- Assertions in text not adequately supported
- Assumptions in financial model not adequately supported
- “We only need one round of capital”
- “We really don’t have any competition”



Questions and Answers