

POSSIBLE (RE)DEFINED

Extending Runway & Mastering Cash Management in an Uncertain Economy

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A Fast-Moving Climate Requires
A New Way of Thinking



Possible (Re)Defined™ Go further, faster

Gain confidence and clarity to tackle challenges
or plan for tomorrow's aspirations

AREA OF FOCUS

Today, We're Covering

Navigating Disruption

KNOWLEDGE

Learning Objectives



Management & Cash Preservation Methodologies



Real-time Visibility of Cash Flow Metrics



SaaS Metrics Every Business Must Know



Explore Areas Investors Care About in SaaS Companies

WELCOME

Today's Presenters



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Moderator
Partner & SaaS Leader
Armanino



Mike Bergines

Senior Director
Strategic Finance Outsourcing
Armanino

MARKET CONTEXT

Recurring Revenue Environment in 2021



Money is flowing – the next (up) round will be there when you need it

Spend...revenue growth is everything! What is CAC?

20X ARR valuation!
What's a “down round”?

MARKET CONTEXT

Recurring Revenue Questions in 2023

Which investors are funding?
What's their mindset?

Can I extend runway AND add value?

What is my CAC? What should it be?

Valuation – what is my business
really worth?



METHODOLOGY

Using & Managing Cash Intelligently

- 1 Know your cash inflows & outflows
- 2 ‘Fill the funnel’ creatively
- 3 The tax man...is your friend?
- 4 Know Your Metrics – Focus on CAC
- 5 Don’t “Pour Cement”
- 6 Adding Tangible Value during Runway
 - Reach a Milestone, Reduce a Risk
 - Compare “Apples & Oranges” Investments

STAY CALM...THINK...

What *Not* to Do

Less of *Everything*

- Across-the-board cost cutting is lazy and damaging

Cut Marketing Substantially

- Much less Marketing = Less Revenue....Avoid the “Death Spiral”!

Spend too little (or too much) on Your Product

- The “Goldilocks” approach - don’t stop, but don’t accelerate
- Calling all tech founders.....look beyond your product!

Lean and Mean.....not just Mean

- Can the job be done?
- No raises, no support services, no bonus, no travel, no events.....



“Know... and grow your Cashflow”

Armanino.com

Total Company
Weekly Cash Flow Forecast

Week #	-3	-2	-1	0	1	2	1	2	3	4	5
	Actual	Actual	Actual	Actual	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
Beginning:	11/21/2022	11/28/2022	12/5/2022	12/12/2022	12/19/2022	12/26/2022	1/2/2023	1/9/2023	1/16/2023	1/23/2023	1/30/2023
Ending:	11/27/2022	12/4/2022	12/11/2022	12/18/2022	12/25/2022	1/1/2023	1/8/2023	1/15/2023	1/22/2023	1/29/2023	2/5/2023
Beginning Balance	5,899,083	5,777,051	6,390,574	6,957,641	5,763,457	6,378,969	6,035,678	6,243,247	5,457,442	5,987,033	5,588,483
Deposits (Operating)											
Customer A	966,247	2,421,708	1,470,368	1,268,670	1,368,670	1,318,670	1,548,399	1,548,399	1,548,399	1,548,399	1,548,399
Customer B	72,465	188,412	116,769	128,446	184,569	60,000	94,377	77,826	84,818	71,559	105,928
Other	265,387	53,319	12,755	28,674	166,000	10,000	52,127	52,127	52,127	52,127	52,127
Total Deposits (Operating)	1,304,100	2,663,440	1,599,892	1,425,791	1,719,240	1,388,670	1,694,903	1,678,352	1,685,344	1,672,085	1,706,454
Payments (Operating)											
Contra Revenue											
Shipping	(750,945)	(909,933)	(821,555)	(957,998)	(747,239)	(612,736)	(731,862)	(731,862)	(731,862)	(731,862)	(780,119)
Rebate	-	-	-	-	-	-	-	-	-	-	-
Hosting	-	-	-	-	-	-	-	-	-	-	-
Total Contra Revenue	(750,945)	(909,933)	(821,555)	(957,998)	(747,239)	(612,736)	(731,862)	(731,862)	(731,862)	(731,862)	(780,119)
Marketing											
Marketing	-	(15,000)	(2,500)	-	-	-	(46,049)	(46,049)	(46,049)	(46,049)	(46,049)
Marketing - Paid Ads	(13,021)	(4,500)	(750)	(13,021)	(9,043)	(9,043)	(9,043)	(9,043)	(9,043)	(9,043)	(9,043)
Total Marketing	(13,021)	(19,500)	(3,250)	(13,021)	(9,043)	(9,043)	(55,092)	(55,092)	(55,092)	(55,092)	(55,092)
FTE Expenses											
Salaries, Benefits & Taxes	(200,213)	(1,008,132)	(20,242)	(1,032,331)	(242,446)	(1,075,000)	(6,700)	(950,000)	(200,119)	(950,000)	-
Professional Fees	(175,576)	(79,877)	(67,588)	(1,462)	(100,000)	(25,000)	(481,635)	(121,635)	(121,635)	(121,635)	(121,635)
Travel & Entertainment	-	-	-	-	-	-	-	-	-	-	-
Total FTE Expenses	(375,790)	(1,088,009)	(87,830)	(1,033,792)	(342,446)	(1,100,000)	(488,335)	(1,071,635)	(321,754)	(1,071,635)	(121,635)
Rent & Office											
Rent & Utilities	(5,183)	-	(522)	-	-	(5,183)	-	(522)	-	-	(5,183)
Office Expenses	(56,224)	-	(47,549)	(47,739)	-	-	(22,656)	(22,656)	(22,656)	(22,656)	(22,656)
Total Rent & Office	(61,407)	-	(48,071)	(47,739)	-	(5,183)	(22,656)	(23,178)	(22,656)	(22,656)	(27,839)
Fees & Other											
Bank Fees	-	(389)	-	-	-	-	-	-	-	-	-
Taxes & Fees	(34,660)	(18,027)	(212)	(245)	-	-	(11,000)	(11,000)	(11,000)	(11,000)	(11,000)
Business Insurance	-	(3,912)	-	-	-	-	-	-	-	-	-
Other	9,333	(10,148)	(71,907)	(9,608)	(5,000)	(5,000)	(13,390)	(13,390)	(13,390)	(13,390)	(13,390)
Total Fees & Other	(25,327)	(32,476)	(72,119)	(9,853)	(5,000)	(5,000)	(24,390)	(24,390)	(24,390)	(24,390)	(24,390)
Credit Card Payments	(199,642)	-	-	(557,571)	-	-	(165,000)	(558,000)	-	(165,000)	-
Total Payments (Operating)	(1,426,132)	(2,049,917)	(1,032,826)	(2,619,975)	(1,103,728)	(1,731,961)	(1,487,334)	(2,464,157)	(1,155,754)	(2,070,634)	(1,009,074)
Operating Cash Δ	(122,032)	613,523	567,067	(1,194,183)	615,512	(343,291)	207,568	(785,805)	529,590	(398,550)	697,380
Ending Cash Balance	5,777,051	6,390,574	6,957,641	5,763,457	6,378,969	6,035,678	6,243,247	5,457,442	5,987,033	5,588,483	6,285,863

Week #	-3	-2	-1
	Actual	Actual	Actual
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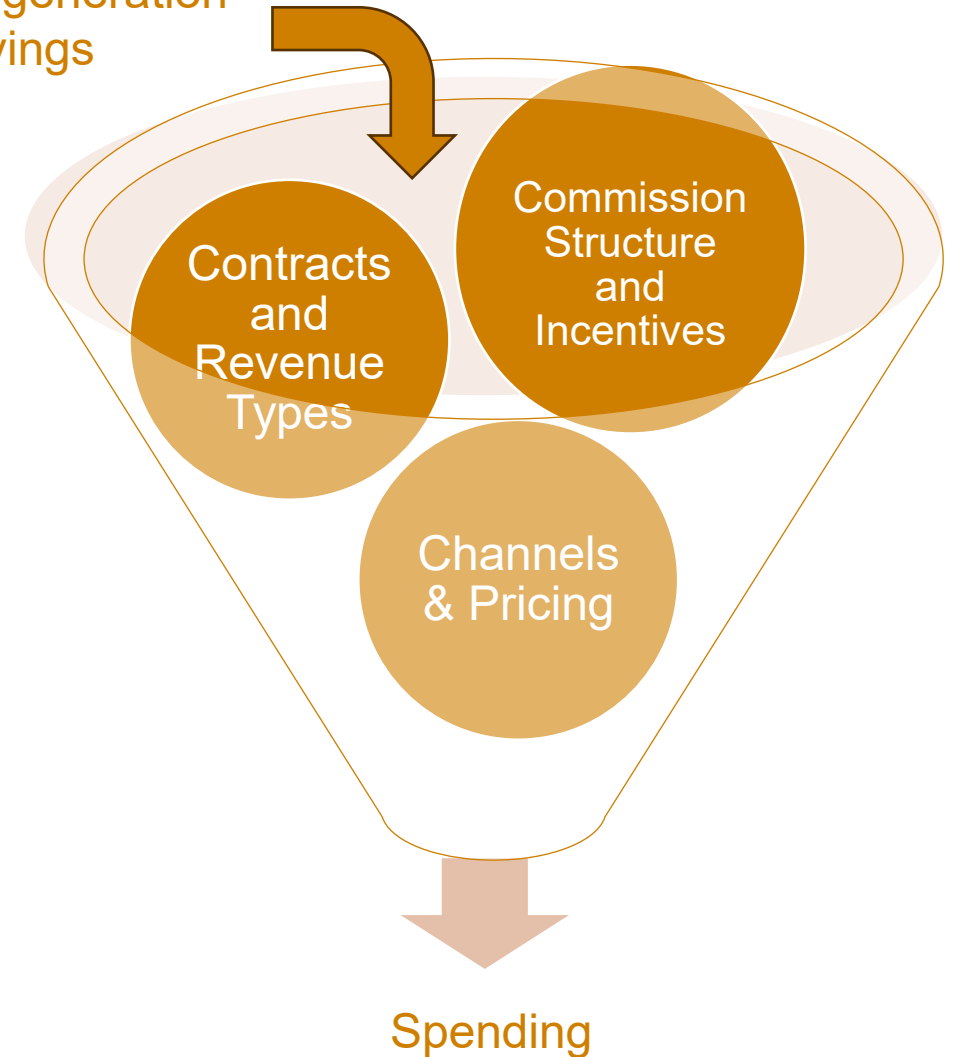
- **Direct** method based on bank account-level cash transactions
- Not **indirect** method based on change in balance sheet accounts
- Discrete & digestible custom categories that reflect the **economics of the business**, not tied to GL codes or accounting
- AI-enabled means quick and accurate tagging of expenses – easy maintenance
- What **cash** will we receive and spend over the next **13 weeks**?

PRESERVING CASH INTELLIGENTLY

“Fill the Funnel” Creatively

- You’re a Recurring Revenue company.....but Professional Services Revenue can be lifesaver
- Long-term contracts have value – CF value and risk reduction value
- Incent the behavior you need to preserve cash
- Pricing and Channels are hidden sources of revenue, cash and cost savings

Cash generation
or savings



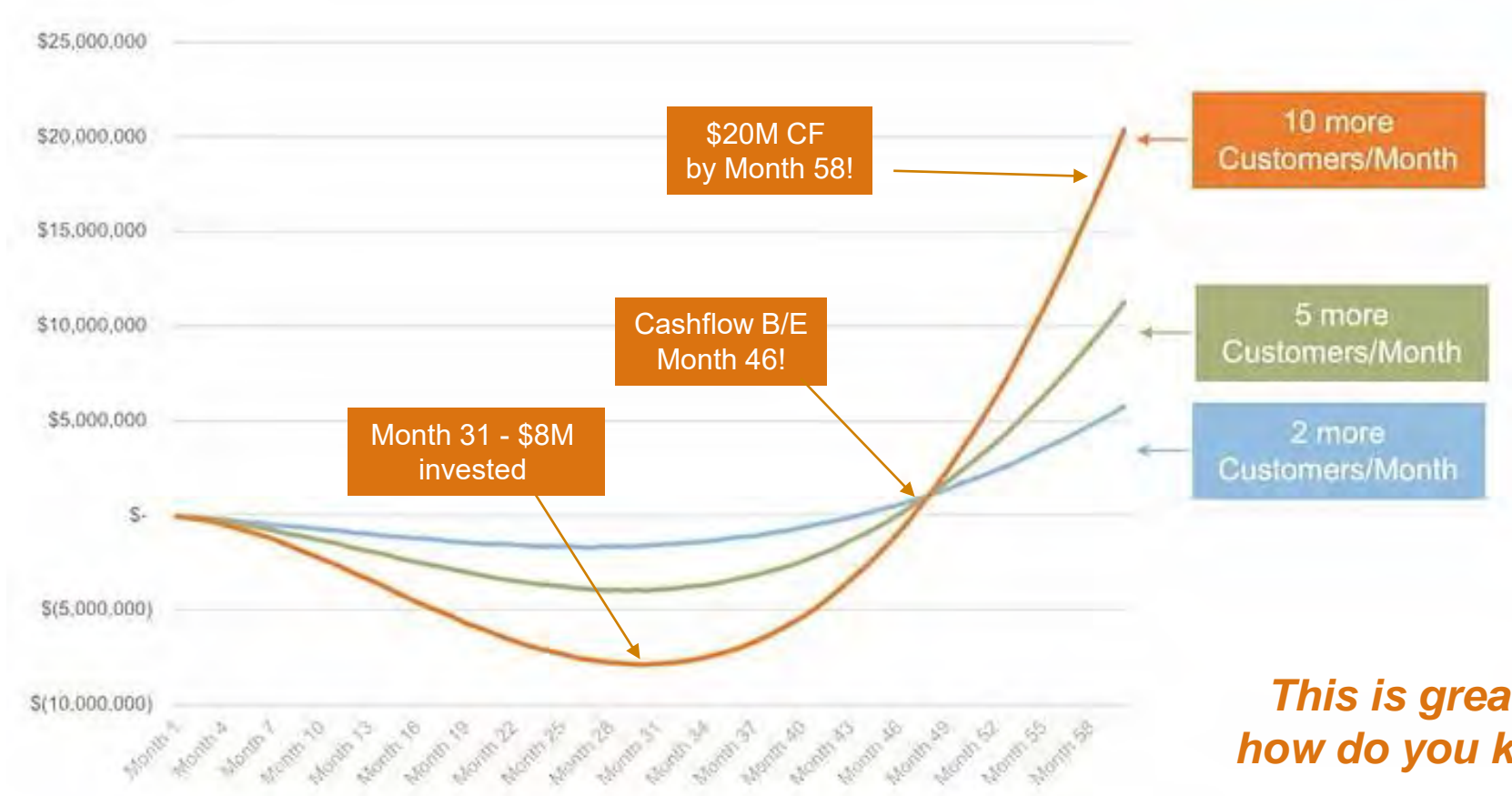
KNOW AND LIMIT YOUR TAX EXPOSURE & TAX PAYMENTS

The Tax Manis your Friend?

- **R&D Tax Credits – Cash back on Payroll taxes**
 - Gross receipts < \$5M for election year
 - Receipts for <5 years
- **Tax Credit Maximum - \$250K in 2022, \$500K in 2023**
 - No carry forward or carry back
 - Applies to the “Social Security” portion of FICA taxes (i.e., the employer’s 6.2% tax)
- **Sales & Use Tax – complete Nexus Analysis**
 - Review Company Activities and Financials for Physical Presence (warehouses, offices, employees, travel)
 - Economic/Wayfair Nexus – state thresholds for revenue and transactions
- **Consult a Tax professional**

THE RECURRING REVENUE "TROUGH"

Why cash burn can be beautiful....eventually



This is great cash burn, but how do you know in Month 31?

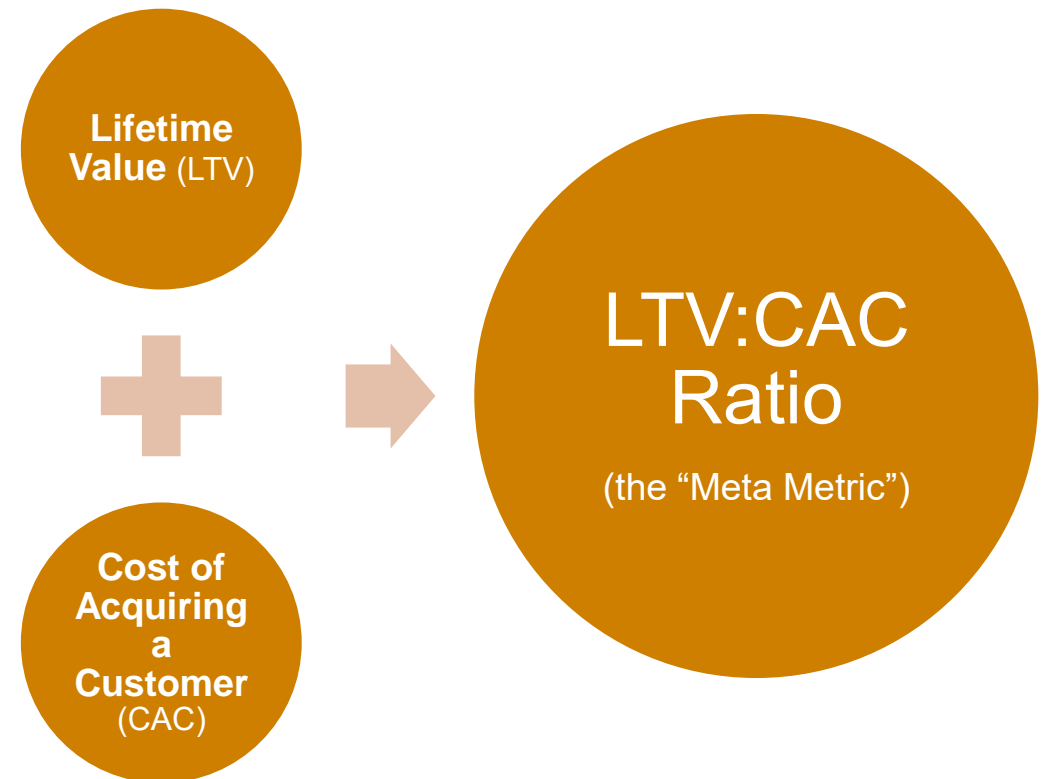
PRESERVING CASH INTELLIGENTLY

Know Your Key Metrics

Why are RR Metrics Important?

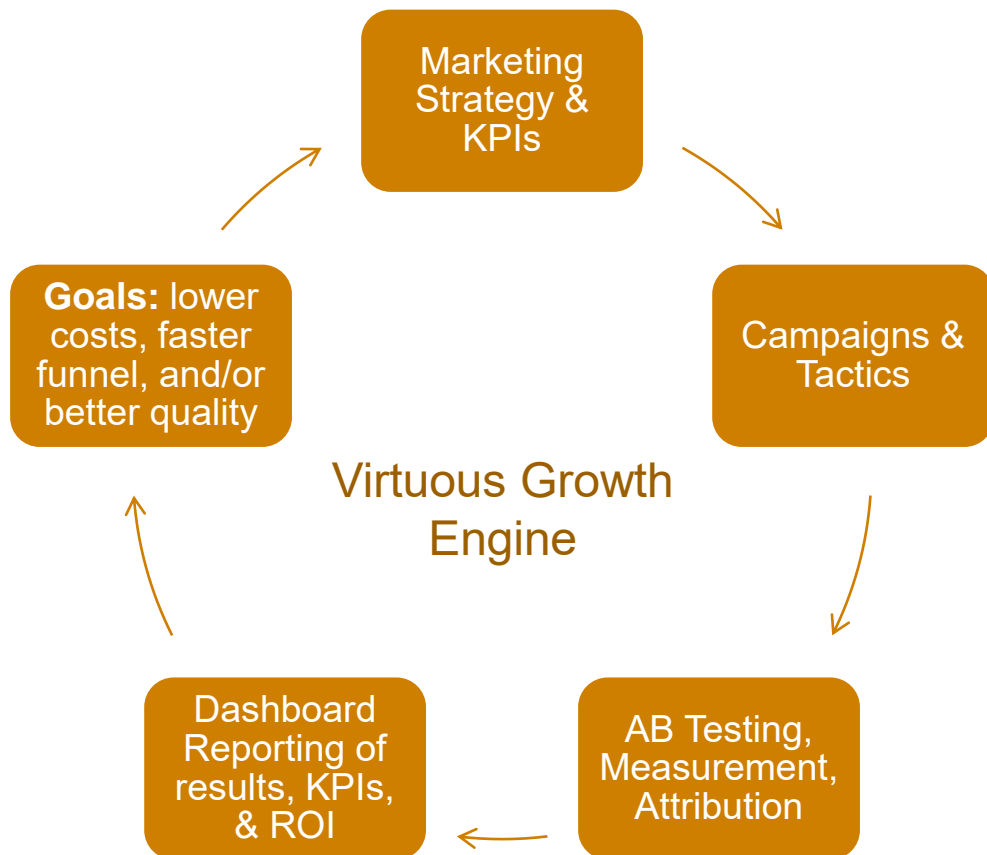
- LTV and CAC – all companies have them
 - LTV = contract size/length + expansion – churn
 - CAC – all S&M costs/new logos
- All companies should know LTV & CAC, but RR companies MUST know them!
- Are we building value or just burning money?

“Good Metrics” = “Good Cash Burn” = Value Creation



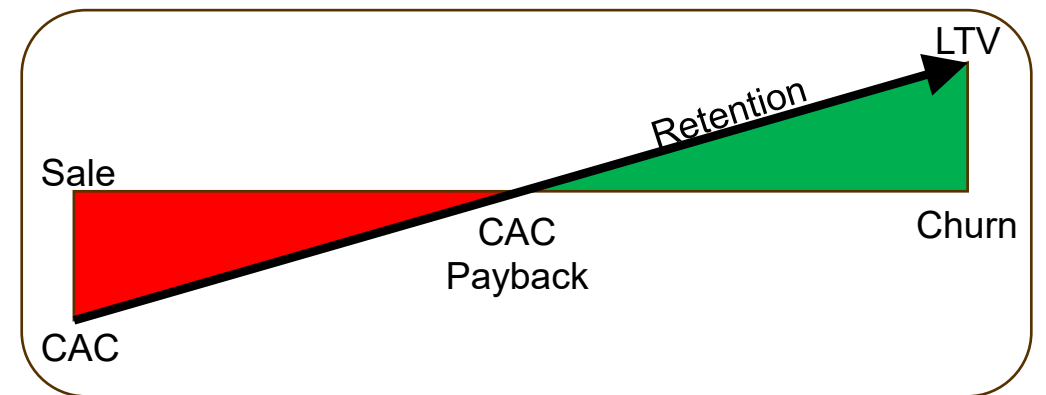
GROWTH ENGINE (Marketing + Finance)

Measurable Marketing = lower CAC, less risk



- **Test and Learn, Measure Results, Improve Outcomes**
 - Marketing and Product/Platform – highest costs
 - Is your approach to both methodical, disciplined, measurable?

- **Are you systematically pursuing the most important goals?**
 - Product goal – product/market fit
 - Marketing goal – target market penetration



PRESERVING CASH INTELLIGENTLY

Don't Pour Cement



- *“Focus on what you do best, and outsource the rest”*

— Peter Drucker

- Outsourcing 2.0 is available now!
 - Outsourcing to get cost advantage (1.0) - large, global companies
 - Outsourcing to get competitive advantage (2.0) – middle market
- You need access to talent, experience, flexibility and ease of use – you need Outsourcing
 - Core Competencies: Product, Platform, Innovation, Sales
 - Outsource: Finance, Accounting, HR, Marketing, Tax, Software/Systems deployment, IT Application Support

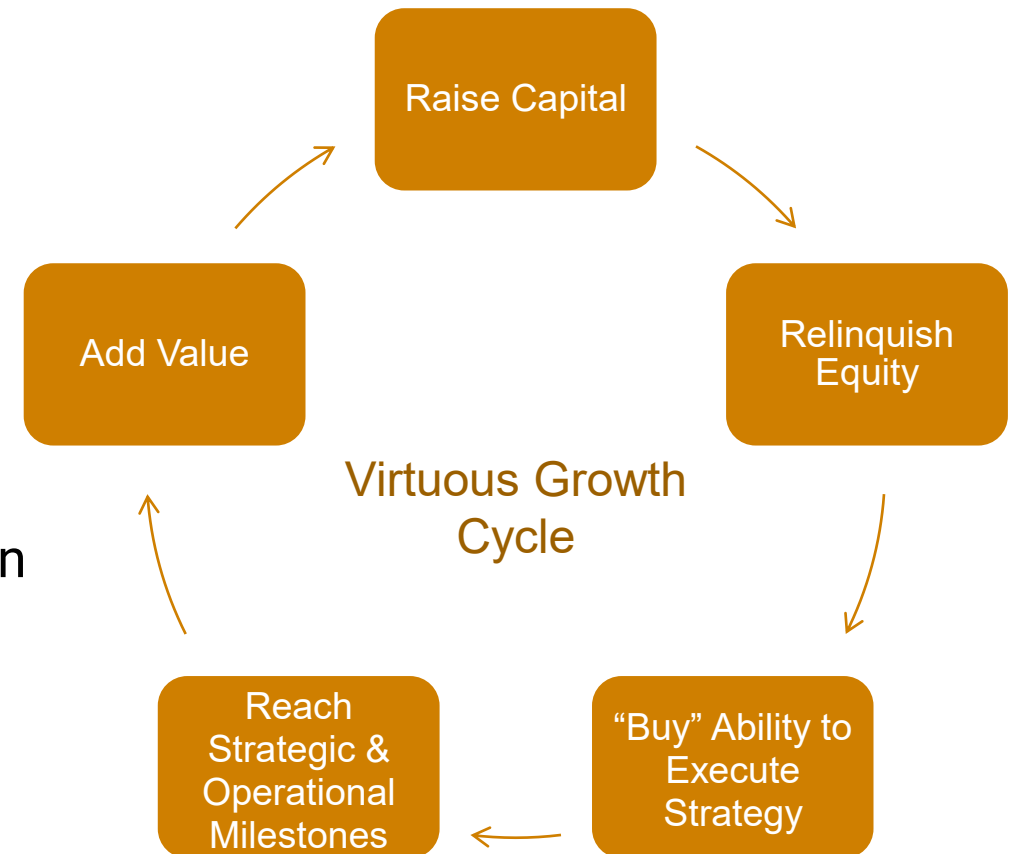
Investments that increase Company Value

Adding Tangible Value during Runway

- What Builds Value? – the market can be fickle
“Timeless Options”
 - Product enhancements (with market demand)
 - Grow Topline and/or Gross Margin
 - Reduce Risk, Build Efficiency and Scalability

Value Added during round = best chance of equity retention

- Milestones and Deliverables > “Progress”
- Shorter runway? Target shorter payback?
- Deciding on what to “invest in” – apples & oranges



Investment Template – Basis for Comparison

Value-Added	-----Check all that apply-----			Human Resources Needed	Internal Groups	-----Check all that apply-----		
	Low	Medium	High			Low	Medium	High
Grow Revenue			x	FTEs needed - implementation	3	Executive	x	
New Product /Functionality		x		maintenance	0.5	Product		x
Cost Savings/Efficiency	x			New skills/expertise needed	U/I development	Customer Success	x	
Scalability/Infrastructure	x			Vendor Type(s) - implementation	UI testing	Sales	x	
Strategic/Competitive Advantage		x		Vendor Spend - implementation	\$50,000	Marketing	x	
Reduce Corporate Risk	x			Vendor Type(s) - maintenance	NA	Service Delivery		x
				Annual Vendor Spend - ongoing		Other	x	
Organizational and Time Needs				maintenance	\$0	Coordination and ops	Low	
Project Implementation Time (weeks or months)		3 quarters				complexity		

Investment Analysis	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 5	Quarter 6	Quarter 7	Quarter 8	Quarter 9	Quarter 10	Quarter 11	Quarter 12
Investment (\$000s)	(200)	(400)	(100)									
Revenue (if any) (\$000s)				400	400	400	400	400	400	400	400	400
Margin Contribution (%)				40%	42%	44%	46%	48%	50%	50%	50%	50%
Cost Savings (\$000s)				NA	NA	NA	NA	NA	NA	NA	NA	NA
Quarterly discount rate	5%	(190)	(363)	(86)	329	313	298	284	271	258	246	234
Net Present Value		1,816										

PRESERVING CASH INTELLIGENTLY

If you're going to burn cash

- ✓ Don't stop critical things / Know your cashflow patterns
- ✓ Make sure you are "filling the funnel" / Use the tax code
- ✓ Know if your cash burn is "Building Value" – Metrics
- ✓ Figure out the formula for your key cash outlays
- ✓ Runways are for "Take Offs" – what will "lift" your business?
- ✓ Use one tool for comparing the different ways to add value

CONNECT WITH ME

Thank you for
attending

Additional Questions?

Reach out to us at

Experts@armaninioLLP.com



OUR PROMISE TO YOU

Reimagine Your Potential



Unconventional Approach

We're a vested, entrepreneurial partner who sees your organization through a 360 lens and finds opportunity at every stage



Comfort in Change

Our experts provide guidance and support while quickly facilitating transformation that gives you a competitive advantage.



Focused on You

Our integrated teams and solutions deliver tailored insights to bring you more value and clarity throughout your journey.

A new and better way for today and tomorrow

Equipping you with the insights and tools needed to redefine what's possible



COMPLIANCE & REGULATORY

- Tax Planning
- Trust & Estate
- SOX
- Contract



ASSURANCE & ADVISORY

- Cybersecurity
- SOC
- Restructuring
- Revenue Recognition



STRATEGY & PLANNING

- Corporate Strategy
- Strategic Advisory
- Benchmarking
- Business Transformation



STAFFING & DEVELOPMENT

- Payroll
- Health Benefits
- Executive Search
- Interim Placement



TECHNOLOGY SYSTEMS

- ERP
- CRM
- Business Intelligence
- Managed Services



ACCOUNTING & BACKOFFICE

- Bookkeeping
- Budgeting/Forecasting
- Account Receivable
- Accounts Payable

Possible *(Re)*Defined™

Delivering impactful, bold solutions that increase clarity
and spark success for today and tomorrow.