

28 February 2024

London StartUp Programme

Financial modelling seminar

About



With extensive experience in investment banking, I design and implement innovative business models in the fashion industry: I am the founder of the materialist, Fashion Conversations and Flair Atelier. I am lecturer in Finance and Economics at the FBS and as a consultant I work with management teams as entrepreneurial partner to adapt to economic and consumer shifts, introduce digital tools to future proof their business to achieve financial and environmental sustainability.

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Seminar agenda

1. Company strategy: where to start
2. Financials and KPIs
3. Planning a collection
4. Preparing for investment
5. A practical case

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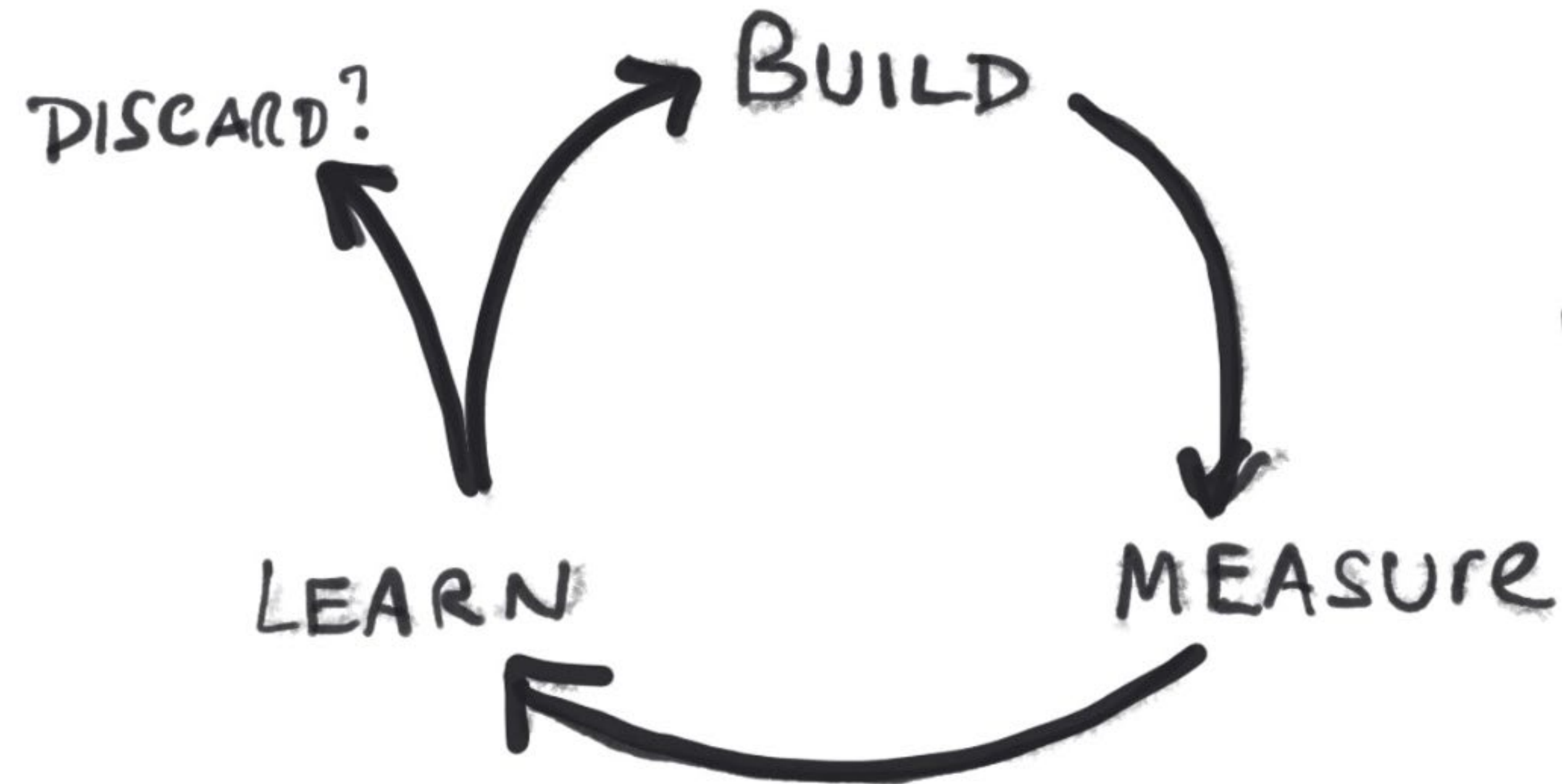
Company strategy: where to start

What do we aim to achieve?

**Acquire mental models and tools
to build your vision.**



Build with the customers in mind and be ready to change your mind



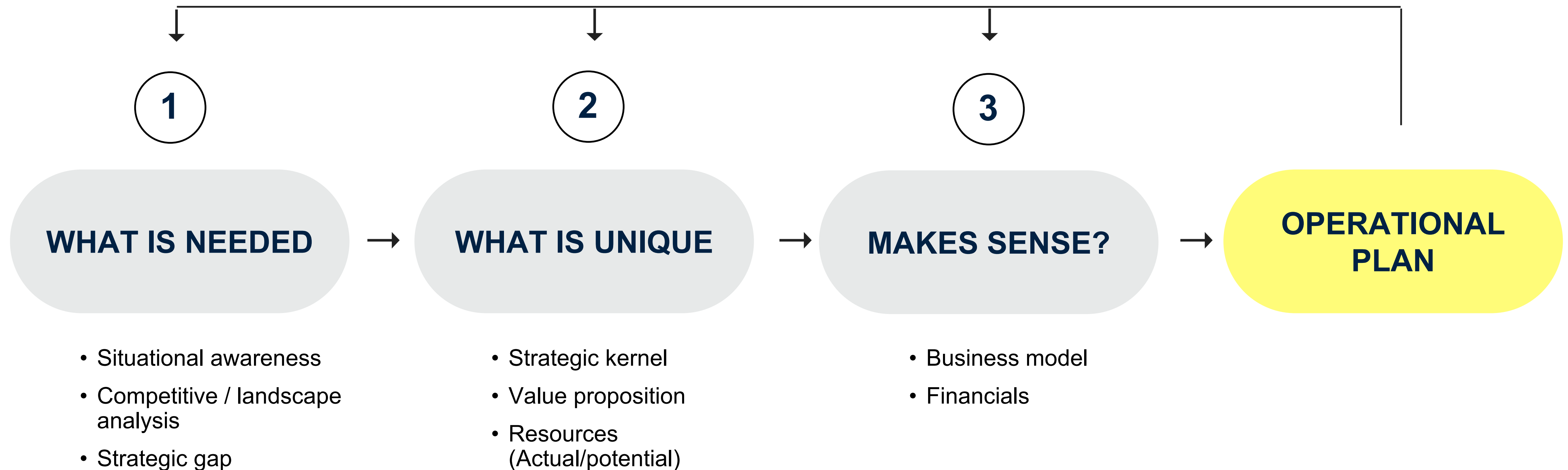
UVP

Unique value proposition

Describes the specific benefit your product or service provides to its customers, and differentiates it from your competitors'

Venture building: Science, creativity and validation.

Measure + Learn Loops



Two business models

PRODUCT BASED

Fashion brands selling physical (or digital!) products

- Category: Clothing, footwear, accessories
- Target market: Womewear, sportswear
- Retailing system: Brick&mortar, online, both
- Business model: Marketplace, subscription..
- Price point: Luxury, fast fashion..
- Distribution: Wholesaler, DTC, both

SERVICED BASED

Provides services to customers in fashion industry

- Personal stylist
- Fashion consultant (branding, product, trends...)
- Fashion designers
- Tailoring, pattern making, production
- Photographers, set designers etc
- PR/mktg etc

Which kind of company will you be?

**Asks what to do
and makes it
happen.**

Cabinet maker

**Asks what you
want and find a
solution.**

Interior designer

**Tells you what is
right for you and
delivers end to
end.**

Architect

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FINANCIALS AND KPIs

They are tools, some are legally required

A definition

Documents providing information on a company's financial performance and position, used to analyse the company's health and make business decisions.

1. P&L, Profit and Loss	Summarises a company's revenues, costs
2. Cash flow	Analyse and forecast the cash inflows and outflow
3. Balance sheet	A snapshot of the financial position
4. Unit economics	Examine revenues and costs associated with one product
5. Sensitivity analysis	To evaluate different scenarios
6. Budget	To plan and manage financial resources and decide on allocation

P&L

Profit and Loss statement summarises a company's revenues and expenses over a period.

1. P&L, profit or loss?

Revenues	Income generated
- Cost of goods sold (COGS)	Direct costs: raw materials, labor, and manufacturing overhead
= Gross profit	How good you are at your core business
- Operating expenses	Costs of running the business = marketing, rent, salaries...
= EBITDA	Earnings before Interests, taxes, depreciation, amortisation
- Interests Taxes Deprec. Amortis.	Interests, taxes, depreciation, amortisation
= Net Profit / Loss	Whatever remains

P&L, a startup

P&L (Simplified)	FY 22 (A)	FY 23	FY 24	FY 25
GROSS REVENUES	225,453	2,227,770	3,742,654	7,335,601
NET REVENUES	180,362	1,782,216	2,994,123	5,868,481
Direct Production Costs (Work, Fabrics, Materials)	82,270	691,475	1,277,845	2,504,576
Packaging	2,022	19,980	33,566	65,790
Shipping	3,370	19,980	33,566	65,790
Secure payment system (2.5% Sales)	5,636	55,694	93,566	183,390
Customer Service (2% Sales)	2,255	54,691	149,706	293,424
COGS (DIRECT COSTS)	95,553	841,820	1,588,250	3,112,970
<i>Gross Margin</i>	58%	62%	58%	58%
Marketing and PR	105,000	435,000	783,000	1,409,400
<i>as % of revenues</i>	58%	20%	21%	19%
Website UX &3D	30,484	135,290	216,464	432,928
Permanent Staff Total	48,000	132,000	237,600	427,680
Freelance Work Total (Includes new designs, stylists, art direction)	47,500	120,000	132,000	198,000
Content (Includes photoshoots, copy)	35,000	147,000	235,200	705,600
Sales Material (Promotional material, fabric and garments samples)	24,000	127,000	254,000	762,000
Rent, Insurance and Other Costs	27,000	63,000	157,500	173,250
OPERATING EXPENSES	316,984	1,159,290	2,015,764	4,108,858
TOTAL COSTS	412,537	2,001,109	3,604,014	7,221,828
EBITDA	-232,175	-218,893	138,640	113,773
<i>EBITDA Margin</i>	-103%	-10%	4%	2%
PROFIT/LOSS	-232,175	-218,893	138,640	113,773

BREAK_EV
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PRADA Group

Condensed P&L

<i>€ mln</i>	FY-21		FY-22	
Net revenues	3,366	100%	4,201	100%
COGS	-818	-24.3%	-889	-21.2%
Gross profit	2,547	75.7%	3,312	78.8%
Selling	-1,421	-42.2%	-1,704	-40.6%
Advertising & promotion	-294	-8.7%	-359	-8.5%
Design and product development	-115	-3.4%	-137	-3.3%
G&A	-217	-6.5%	-266	-6.3%
Operating expenses	-2,048	-60.8%	-2,467	-58.7%
EBIT Adj.	499	14.8%	845	20.1%
Non-recurring items	-10	-0.3%	-69	-1.6%
EBIT	489	14.5%	776	18.5%
Total financial expenses	-68	-2.0%	-65	-1.5%
EBT	422	12.5%	711	16.9%
Income taxes	-127	-3.8%	-242	-5.8%
Minority income	1	0.0%	4	0.1%
Group net income / (Loss)	294	8.8%	465	11.1%
Total D&A	-631	-18.7%	-734	17.5%

PRADA Group

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CASH FLOW

Analyse and forecast the cash inflows and outflow

Cash flow, an example

Categories	Amount (£)
Cash at beginning of period	500,000
Operating Activities	
Cash received from customers	10,000,000
Cash paid to suppliers and employees	(8,500,000)
Interest paid	(50,000)
Taxes paid	(200,000)
Net cash from operating activities	1,250,000
Investing Activities	
Purchase of property, plant, and equipment	(400,000)
Net cash used in investing activities	(400,000)
Financing Activities	
Proceeds from long-term debt	500,000
Repayment of long-term debt	(250,000)
Payment of dividends	(100,000)
Net cash from financing activities	150,000
Cash at end of period	1,500,000
Net increase in cash	1,000,000

Asos Consolidated Statement of Cash Flows

	Note	Year to 31 August 2022 £m	Year to 31 August 2021 £m
Operating (loss)/profit		(9.8)	199.1
Adjusted for:			
Depreciation of property, plant and equipment	4	61.9	61.1
Amortisation of other intangible assets	4	88.8	74.4
Impairment of assets	4	19.2	8.1
Increase in inventories		(258.7)	(226.7)
(increase)/decrease in trade and other receivables		(34.2)	1.9
Increase in trade and other payables		28.2	158.6
Settlement of contingent consideration in relation to employee benefits	26	(6.8)	-
Share-based payments charge	28	8.6	7.6
Other non-cash items		(4.9)	(7.8)
Income tax received/(paid)		3.4	(37.8)
Net cash (used in)/generated from operating activities		(128.4)	215.1
Investing activities			
Payments to acquire intangible assets		(189.2)	(182.8)
Payments to acquire property, plant and equipment		(73.7)	(55.1)
Payments to acquire assets in a business combination	26	-	(286.4)
Dividends received		-	8.1
Interest received		8.9	8.2
Net cash used in investing activities		(182.8)	(443.2)
Financing activities			
Proceeds from borrowings	24	-	21.9
Proceeds from convertible bond issue, net of transaction costs	24	-	491.8
Repayment of principal portion of lease liabilities	18	(26.3)	(23.8)
Net cash inflow relating to Employee Benefit Trust		-	8.1
Interest paid		(11.1)	(5.7)
Net cash (used in)/generated from financing activities		(37.4)	483.4
Net (decrease)/increase in cash and cash equivalents		(339.8)	255.3
Opening cash & cash equivalents		662.7	407.5
Effect of exchange rates on cash and cash equivalents		8.1	(8.1)
Closing cash and cash equivalents	14	323.0	662.7

Mulberry

Group cash flow statement

52 WEEKS ENDED 1 APRIL 2023

- Operating Activity: difference in NET WORKING CAPITAL (current assets -current liabilities)
- Investing activities
- Financing activities

	Note	52 weeks ended 1 April 2023 £'000	53 weeks ended 2 April 2022 £'000
Operating profit for the period		16,974	24,647
Adjustments for:			
Depreciation and impairment of property, plant and equipment	17	3,487	3,702
Depreciation and impairment of right-of-use assets	19	(5,021)	6,682
Amortisation and impairment of intangible assets	16	4,041	1,778
Gain on lease modification and lease disposals	34	(441)	(2,160)
Loss on sale of property, plant and equipment		96	38
Business combination gain		(304)	-
Profit on disposal of intangible assets		-	(5,343)
Own shares transferred from trust		-	8
Share-based payments expense	31	23	69
Operating cash inflows before movements in working capital		18,855	29,421
Increase in inventories		(9,722)	(5,400)
Increase in receivables		(3,974)	(3,318)
Increase in payables		2,001	2,136
Cash generated from operations		7,160	22,839
Income taxes paid		(2,427)	(154)
Interest paid		(3,899)	(3,470)
Net cash inflow from operating activities		834	19,215
Investing activities:			
Interest received		15	19
Acquisition of businesses	35	(3,182)	-
Purchases of property, plant and equipment		(7,129)	(4,419)
Proceeds from disposal of property, plant and equipment		2	59
Acquisition of intangible assets		(3,919)	(897)
Dividend received from associate		40	-
Proceeds from disposal of intangible assets	7	-	13,316
Net cash (used in)/generated from investing activities		(14,173)	8,078
Financing activities:			
Increase in loans from non-controlling interests	34	246	313
New borrowings	34	6,100	-
Dividends paid		(1,789)	-
Principle elements of lease payments		(10,261)	(13,736)
Settlement of share awards		-	(5)
Net cash used in financing activities		(5,704)	(13,428)
Net (decrease)/increase in cash and cash equivalents		(19,043)	13,865
Cash and cash equivalents at beginning of period		25,669	11,820
Effect of foreign exchange rate changes		246	(16)
Cash and cash equivalents at end of period	22	6,872	25,669

BALANCE SHEET

A snapshot of the financial position

Balance sheet, a snapshot of the financial position

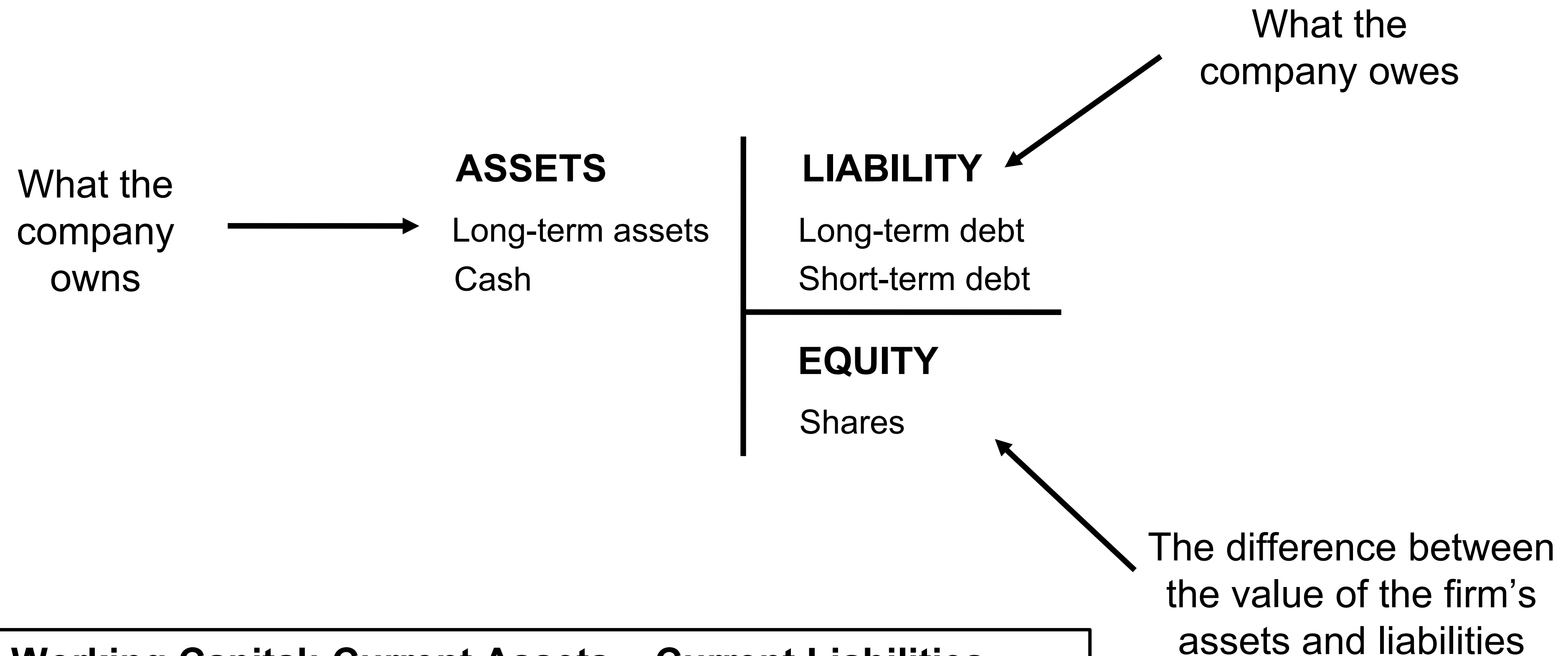
$$\text{ASSETS} = \text{LIABILITIES} + \text{STOCKHOLDERS' EQUITY}$$

ASSETS	
CASH AND CASH EQUIVALENTS	50
ACCOUNT RECEIVABLES	25
INVENTORY	30
PROPERTY, PLANT AND EQUIPMENT	100
INVESTMENTS	75
TOTAL ASSETS	280

LIABILITIES	
ACCOUNTS PAYABLE	20
SHORT TERM LOANS	10
LONG TERM DEBT	150
SHAREHOLDER EQUITY	
COMMON STOCKS	100
TOTAL LIABILITIES AND EQUITY	280

Balance sheet, a snapshot of the financial position

$$\text{ASSETS} = \text{LIABILITIES} + \text{STOCKHOLDERS' EQUITY}$$



Net Working Capital: Current Assets – Current Liabilities

The capital available in the short term to run the business

Balance sheet, a snapshot of the financial position

$$\text{ASSETS} = \text{LIABILITIES} + \text{STOCKHOLDERS' EQUITY}$$

ASSETS		LIABILITY	
①	Long-term assets		
	Cash		②
		<hr/>	
		EQUITY	
		Shares	③

Example: purchase new machinery => long term assets increase

The purchase must be paid for one of three ways

1. Use existing cash so current asset fall and total assets do not change
2. Use credit or issue debt so liabilities (short or long term) rise
3. Issue new equity so owner's equity increases

Group balance sheet

AS AT 1 APRIL 2023

Mulberry

	1 April 2023 £'000	2 April 2022 £'000
Non-current assets		
Intangible assets	6,015	6,056
Property, plant and equipment	19,817	14,618
Right-of-use assets	57,520	32,221
Interests in associates	254	335
Deferred tax asset	622	2,148
	84,228	55,378
Current assets		
Inventories	48,250	36,783
Trade and other receivables	19,901	15,927
Cash and cash equivalents	6,872	25,669
	75,023	78,379
Total assets	159,251	133,757

	1 April 2023 £'000	2 April 2022 £'000
Current liabilities		
Trade and other payables	(28,143)	(24,975)
Current tax liability	(182)	(2,382)
Lease liabilities	(10,932)	(11,108)
Borrowings	(11,562)	(3,278)
	(50,819)	(41,743)
Net current assets	24,204	36,636
Non-current liabilities		
Lease liabilities	(61,666)	(52,547)
Borrowings	–	(1,721)
	(61,666)	(54,268)
Total liabilities	(112,485)	(96,011)
Net assets	46,766	37,746
Equity		
Share capital	3,004	3,004
Share premium account	12,160	12,160
Own share reserve	(896)	(1,269)
Capital redemption reserve	154	154
Foreign exchange reserve	675	1,158
Retained earnings	38,110	27,006
	53,207	42,213
Equity attributable to holders of the parent	53,207	42,213
Non-controlling interests	(6,441)	(4,467)
	46,766	37,746
Total equity	46,766	37,746

PRADA Group

Condensed Balance Sheet

€ mln	31 Dec 2021	31 Dec 2022
Right of use	1,956	2,011
Non current assets (excl deferred tax assets)	2,490	2,517
Net operating working capital	602	691
Other current assets / (liabilities), net	-163	-293
Other non current assets / (liabilities), net	51	148
Net invested capital	4,936	5,074
Consolidated shareholders' equity	3,129	3,501
Net financial position (surplus) / deficit	-238	-535
Long term lease liability	1,627	1,715
Short term lease liability	418	392
Total	4,936	5,074
Net operating cash flow	751	696
Net working capital / Net sales	18%	17%
Capex	217	276
Debt / Equity	Negative	Negative

UNIT ECONOMICS

Examine revenues and costs associated with one product

Unit economics, can you reach profitability?

Unit economics examines the revenue and costs of producing and selling a single unit of a product. It helps businesses to determine if their operations are profitable and scalable.

	HP1	HP2
Sales price of a dress	£100	£60
Direct Production Costs (Work, Fabrics, Materials)	-£50	-£50
Packaging	-£5	-£5
Shipping	-£5	-£5
Secure payment system (3% Sales)	-£3	-£2
Customer Service (2% Sales)	-£2	-£1
COGS	-£65	-£63
Gross Profit	£35.0	-£3
Gross Profit Margin (GPM)	35%	-5%
Customer Acquisition Cost (CAC)	-£10	-£10

BUDGET

To plan and manage financial resources and decide on allocation

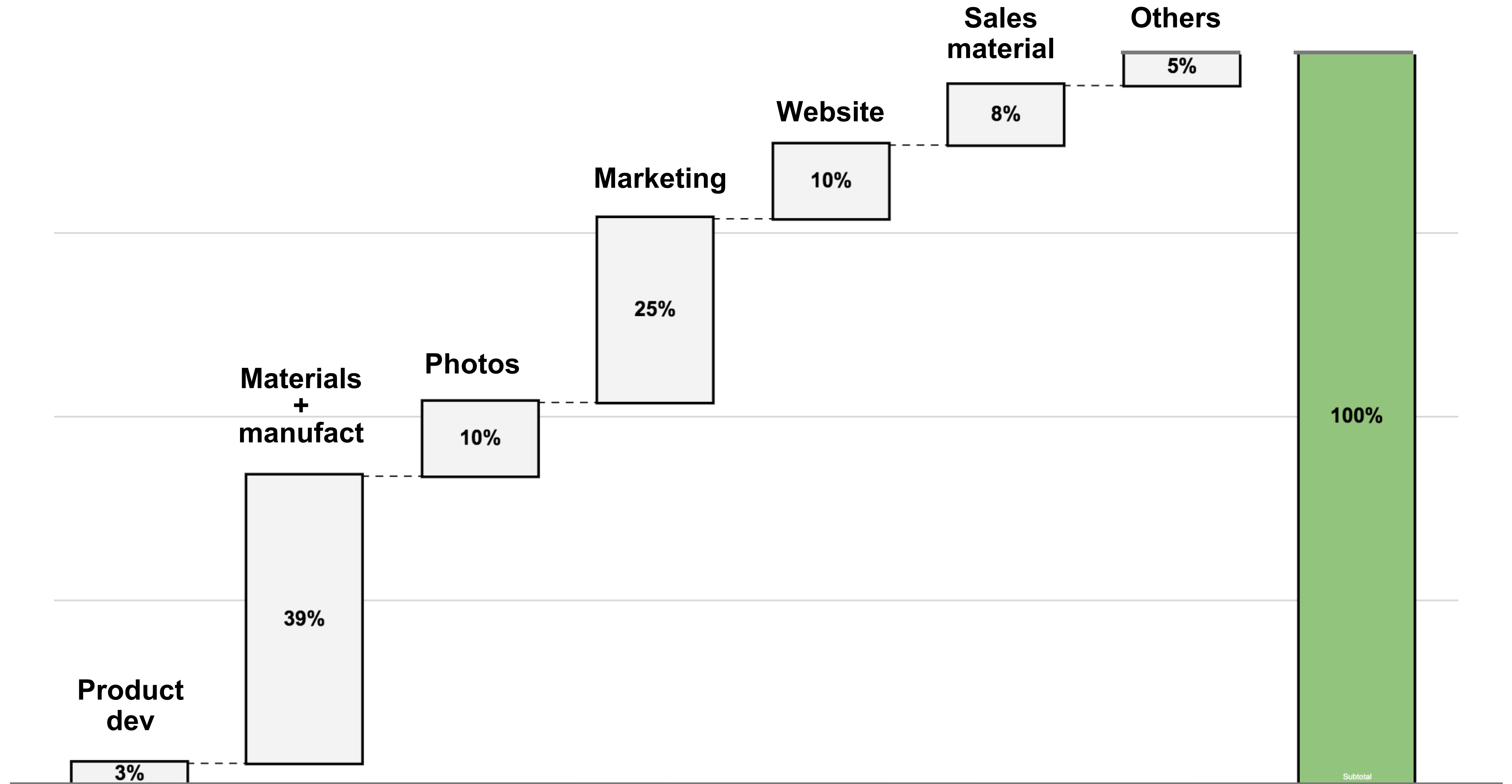
Budget, how do you allocate and manage resources?

A budget is a tool to plan and manage financial resources and to make informed decisions on their allocation.

	Expected	Actual	%
Product development	35,000	48,000	37.1%
Photoshoot	12,000	8,000	-33.3%
Marketing	30,000	30,000	0.0%
Website	10,000	6,000	-40.0%
Sales material	5,000	3,000	-40.0%
Legal, other costs	5,000	5,000	0.0%
OPERATING EXPENSES	97,000	100,000	3.1%

↑
Formula: $(A-E)/E*100\%$

Budget allocation



SENSITIVITY ANALYSIS

To evaluate different scenarios

Sensitivity analysis, what is the impact of change?

A tool to evaluate the impact of changes in pricing or sales volume, on their overall financial performance. to assess the potential risks and rewards associated with different scenarios.

	HP1	HP2	HP3
Number of dresses sold	500	1,333	8,000
Price per dress	£300	£150	£75
GROSS REVENUES	£150,000	£200,000	£600,000
COGS (DIRECT COSTS)	30,000	80,000	480,000
Marketing and PR	35,000	35,000	35,000
Website UX &3D	12,000	12,000	12,000
Permanent Staff Total	30,000	30,000	30,000
Content (Includes photoshoots, copy)	10,000	10,000	10,000
Sales Material (Promotional material, samples..)	5,000	5,000	5,000
Rent, Insurance and Other Costs	5,000	5,000	5,000
OPERATING EXPENSES	97,000	97,000	97,000
PROFIT/LOSS	23,000	23,000	23,000

KPIs

KPIs are quantifiable metrics used to evaluate the success of a business or project. They help track progress towards specific goals and objectives

KPIs: some examples

Sales

Revenue growth

Gross margin

Average order value (AOV)

Inventory turnover - how quickly do you sell

Customer Lifetime Value (CLV)

Customer Acquisition Cost (CAC)

...

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**PLANNING A
COLLECTION**

It's never a science

Start small.

“The bigger they are, the harder they fall.”

Two main distribution models

DTC

Product sold directly to consumers online or shop

- + high profit margins (keep a larger share of the profit)
- + better customer insight
- + full brand control
- + pricing flexibility
- high operational costs (technology, mktg, customer service)
- super competitive
- difficult to reach wide customers base
- shipping / logistics / returns

Wholesaler

Product sold in bulk to wholesalers, who then sell them to retailers and to customers

- + wider distribution
- + lower upfront costs
- + easier to be placed
- + storage, logistics sorted
- lower profit margins
- less control over brand image (competition?)
- limited customer insight
- delayed payments
- no flexibility in pricing / promotions

Wholesaler pricing calculations

The margins may vary according to commercial agreements, reputation, trends, demand, distribution channels..

COST OF PRODUCTION	Careful to include your costs: COGS, overheads etc		£130.00
BRAND PRICE	Add your profit margin +30%	30%	£169.00
WHOLESALE PRICE	Adds a mark-up of +40%	40%	£236.60
RETAILER PRICE TO CLIENT	Adds a markup of +100%	100%	£473.20
TOTAL MARKUP			364%

DTC pricing calculations

It is a complex process involving a number of subjective and variable factors and decisions based on the goals and objectives of the brand. Always consider:

- Production costs = it's your base
- Desired profit margins: even the wholesale price must provide a ROI
- Similar brands, how do you want to compete?
- Signalling value of the pricing (Volume discounts? Luxury positioning?)
- Target market and competition
- Seasonal trends and demand
- Sales strategy

BRAND EQUITY

Premium value derived by consumer perception rather than the product and differentiates it from your competitors'

Perceived quality, loyalty, associations, image, reliability

...

An example of pricing



crocs™

2017 £20

2023 £45

AFFORDABLE

COMFORTABLE

MF@MARIANNAFERRO.COM

Some brands can extract more profit from the same product

BALENCIAGA



£400



£900

MODERN

DESIRABLE

TRANSFORMATIVE

Measuring brand equity: some metrics

Key indicators used to measure the value and strength of a brand

Brand Awareness	Level of familiarity consumers have with a brand
Brand Loyalty	Repeat purchase rate, customer retention rate, Net Promoter Score (NPS)
Brand Associations	Brand personality, brand image, and brand positioning
Perceived quality vs competitors	Product reviews, customer feedback, certifications
Brand Value	Financial value of a brand (Interbrand or BrandZ)
Brand Engagement	Social media engagement, website traffic, and email open rates.

Sales forecasting

There is no single "easy" way but some common methods are:

- Historical analysis: projects future sales based on historical trends
- Trend analysis: analyses past sales data and extrapolate trends
- Market research: market trends, consumer preferences, and demographic data
- Statistical models: i.e. regression analysis
- Machine learning algorithms
- Ask the experts
- Or don't guess at all but organise your supply chain in a flexible way

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FORECASTING

Examine revenues and costs associated with your products

Sales forecasting

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- Distribution: Wholesaler, DTC, both

SERVICED BASED

Provides services to customers in fashion industry

- Personal stylist
- Fashion consultant (branding, product, trends...)
- Fashion designers
- Tailoring, pattern making, production
- Photographers, set designers etc
- PR/mktg etc

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Wholesaler pricing calculations

The margins may vary according to commercial agreements, reputation, trends, demand, distribution channels..

COST OF PRODUCTION	Careful to include your costs: COGS, overheads etc		£25.00
BRAND PRICE	Add your profit margin +30%	30%	£32.50
WHOLESALE PRICE	Adds a mark-up of +40%	40%	£45.50
RETAILER PRICE TO CLIENT	Adds a markup of +100%	100%	£91.00
TOTAL MARKUP			364%

DTC pricing calculations

It is a complex process involving a number of subjective and variable factors and decisions based on the goals and objectives of the brand.

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- Target market and competition
- Seasonal trends and demand
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Cash flow model by month, to manage your cash

Cash inflows and outflows are never evenly distributed over a period, be aware of cyclical shifts and short term needs

Cash flow (£)	Initial cash balance	Inflows	Outflows	Final cash balance
January	623,000	55,000	-80,000	598,000
February	598,000	80,000	-200,000	478,000
March	478,000	160,000	-225,000	413,000
April	413,000	190,000	-225,000	378,000
May	378,000	210,000	-110,000	478,000
June	478,000	180,000	-110,000	548,000
July	548,000	95,000	-110,000	533,000
August	533,000	80,000	-150,000	463,000
September	463,000	170,000	-200,000	433,000
October	433,000	170,000	-230,000	373,000
November	373,000	185,000	-230,000	328,000
December	328,000	205,000	-190,000	343,000
		1,780,000	-2,060,000	

P&L, a startup

P&L (Simplified)	FY 22 (A)	FY 23	FY 24	FY 25
GROSS REVENUES	225,453	2,227,770	3,742,654	7,335,601
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Direct Production Costs (Work, Fabrics, Materials)	82,270	691,475	1,277,845	2,504,576
Packaging	2,022	19,980	33,566	65,790
Shipping	3,370	19,980	33,566	65,790
Secure payment system (2.5% Sales)	5,636	55,694	93,566	183,390
Customer Service (2% Sales)	2,255	54,691	149,706	293,424
COGS (DIRECT COSTS)	95,553	841,820	1,588,250	3,112,970
<i>Gross Margin</i>	58%	62%	58%	58%
Marketing and PR	105,000	435,000	783,000	1,409,400
<i>as % of revenues</i>	58%	20%	21%	19%
Website UX &3D	30,484	135,290	216,464	432,928
Permanent Staff Total	48,000	132,000	237,600	427,680
Freelance Work Total (Includes new designs, stylists, art direction)	47,500	120,000	132,000	198,000
Content (Includes photoshoots, copy)	35,000	147,000	235,200	705,600
Sales Material (Promotional material, fabric and garments samples)	24,000	127,000	254,000	762,000
Rent, Insurance and Other Costs	27,000	63,000	157,500	173,250
OPERATING EXPENSES	316,984	1,159,290	2,015,764	4,108,858
TOTAL COSTS	412,537	2,001,109	3,604,014	7,221,828
EBITDA	-232,175	-218,893	138,640	113,773
<i>EBITDA Margin</i>	-103%	-10%	4%	2%
PROFIT/LOSS	-232,175	-218,893	138,640	113,773

BREAK_EV
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4/6

**PREPARING FOR
INVESTMENT**

EQUITY

selling ownership in exchange for funding
(shares risk and rewards)

≠

DEBT

borrow money that must be repaid with interest
(fixed obligations).

Finding the right investment mix

Bootstrapping	✓ Clients are the best investors
Friends and Family	✓ Clear expectations and a written agreement are crucial
Crowdfunding	✓ Early stage can be complex
Angel Investors	✓ When other don't invest
Venture Capital	✓ Seek potential for high growth, large returns, invest large sums
Bank Loans	Tricky for a startup, requires collateral
Grants	(Almost) free money!

What is needed on your side

- Your story, figured out
- Founder resilience - trends will change
- Demonstrate potential and stability
- Business plan (Revenue model)
- Financials in good order
- Operational plan, including processes
- Track record (traction)

5/5
PRACTICAL CASE

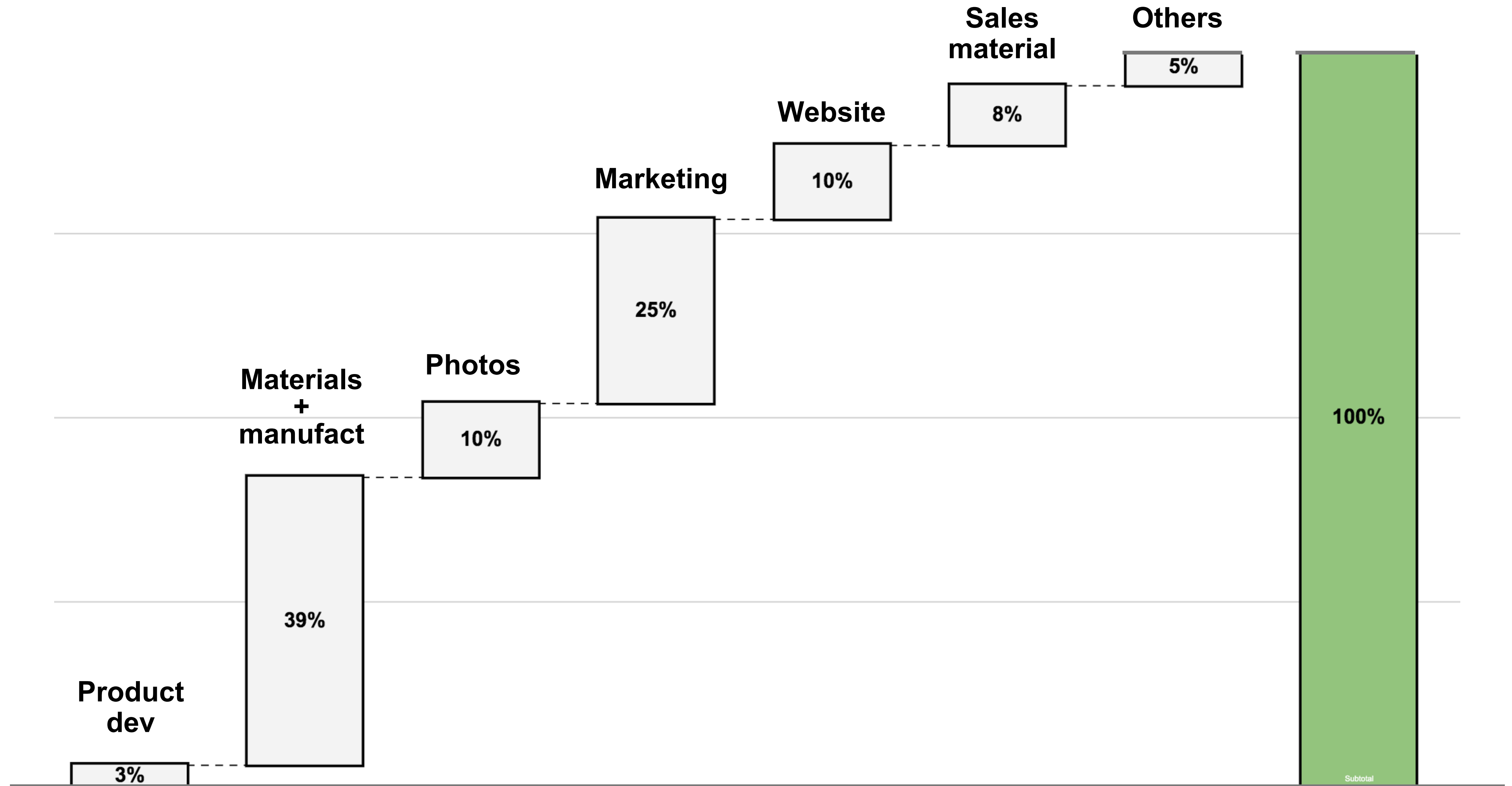
We are launching our DTC, online brand with a capsule collection.

£10,000 is the initial investment for the first 6 months.

Costs: Some working hypothesis

Time considered	6 months	
Number of styles	3	
Number of garment per style (one size)	10	
TOTAL	30	
Product development for each style	£100	
TOTAL	£300	3%
Materials (each)	£30	
Manufacturing cost (each)	£100	
COST TO MAKE A DRESS	£130	
TOTAL COST OF THE COLLECTION	£3,900	39%
Photoshoot	£1,000	10%
Marketing	£2,500	25%
Website (setup + monthly)	£1,000	10%
Sales material	£800	8%
Legal, other costs	£500	5%
TOTAL	£10,000	100%

Budget allocation



Unit economics: a common mistake

It's crucial to determine your costs accurately. Taking into account the manufacturing costs is not enough.

	HP1	HP2	HP3
Price per dress	£300	£200	£140
Materials and manufacturing	£130	£130	£130
COGS (DIRECT COSTS)	£130	£130	£130
GROSS PROFIT	£170	£70	£10
<i>Gross profit margin</i>	57%	35%	7%

Sensitivity analysis, what is the impact of change?

	HP1	HP2	HP3
Number of dresses sold	30	30	30
Price per dress	£300	£200	£140
GROSS REVENUES	£9,000	£6,000	£4,200
Materials and manufacturing	£3,900	£3,900	£3,900
Shipping	£180	£180	£180
Secure payment system (3% Sales)	£270	£180	£126
Customer Service (2% Sales)	£180	£120	£84
COGS (DIRECT COSTS)	4,530	4,380	4,290
GROSS PROFIT	4,470	1,620	-90
<i>Gross profit margin</i>	50%	27%	-2%
Product development	£300	£300	£300
Photoshoot	£1,000	£1,000	£1,000
Marketing	£2,500	£2,500	£2,500
Website (setup + monthly)	£1,000	£1,000	£1,000
Sales material	£800	£800	£800
Legal, other costs	£500	£500	£500
OPERATING EXPENSES	6,100	6,100	6,100
TOTAL COSTS	10,630	10,480	10,390
PROFIT/LOSS	-1,630	-4,480	-6,190

2. Cash flow model, to manage your cash

A cash flow model is a financial tool used to analyse and forecast the cash inflows and outflows of a business or investment over a specific period.

Cash flow (£)	Initial cash balance	Inflows	Outflows	Final cash balance	
July	10,000	0	-1,800	8,200	Product development (£300), website (£500), legal costs (£1000)
August	8,200	0	-1530	6,670	Materials (£900), website (£100), marketing (£530)
September	6,670	0	-5500	1,170	Manufacturing (£3,000), marketing (£500), website (£100), sales material, photoshoot (£1,900)
October	1,170	1000	-600	1,570	Marketing (£500), website (£100)
November	1,570	2000	-600	2,970	Marketing (£500), website (£100)
December	2,970	6000	-600	8,370	Marketing (£500), website (£100)
		9000	-10,630	8,370	

P&L expected

	2023 (6 months)	2024	2025
Number of dresses sold	50	500	1,000
Price per dress	£300	£300	£300
GROSS REVENUES	£15,000	£150,000	£300,000
Materials and manufacturing	£6,500	£65,000	£130,000
Shipping	£300	£3,000	£6,000
Secure payment system (3% Sales)	£450	£4,500	£9,000
Customer Service (2% Sales)	£300	£3,000	£6,000
COGS (DIRECT COSTS)	7,550	75,500	151,000
GROSS PROFIT	7,450	74,500	149,000
Product development	£300	£1,000	£5,000
Photoshoot	£1,000	£5,000	£10,000
Marketing	£2,500	£10,000	£15,000
Website (setup + monthly)	£1,000	£3,000	£6,000
Sales material	£800	£3,000	£8,000
SALARIES!	£0	£30,000	£90,000
Legal, other costs	£500	£3,000	£15,000
OPERATING EXPENSES	6,100	55,000	149,000
PROFIT/LOSS	1,350	19,500	0

6. Budget, how did it go?

After the period you can review your performance and interpret the data.

	Expected	Actual	%
REVENUES	£9,000	£9,000	0%
Product development	300	350	16.7%
Manufacturing and materials	3,900	4,200	7.1%
Photoshoot	1,000	2,000	50.0%
Marketing	2,500	2,000	-25.0%
Website	1,000	1,000	0.0%
Sales material	800	500	-60.0%
Legal, other costs	500	400	-25.0%
OPERATING EXPENSES	10,000	10,450	4.5%

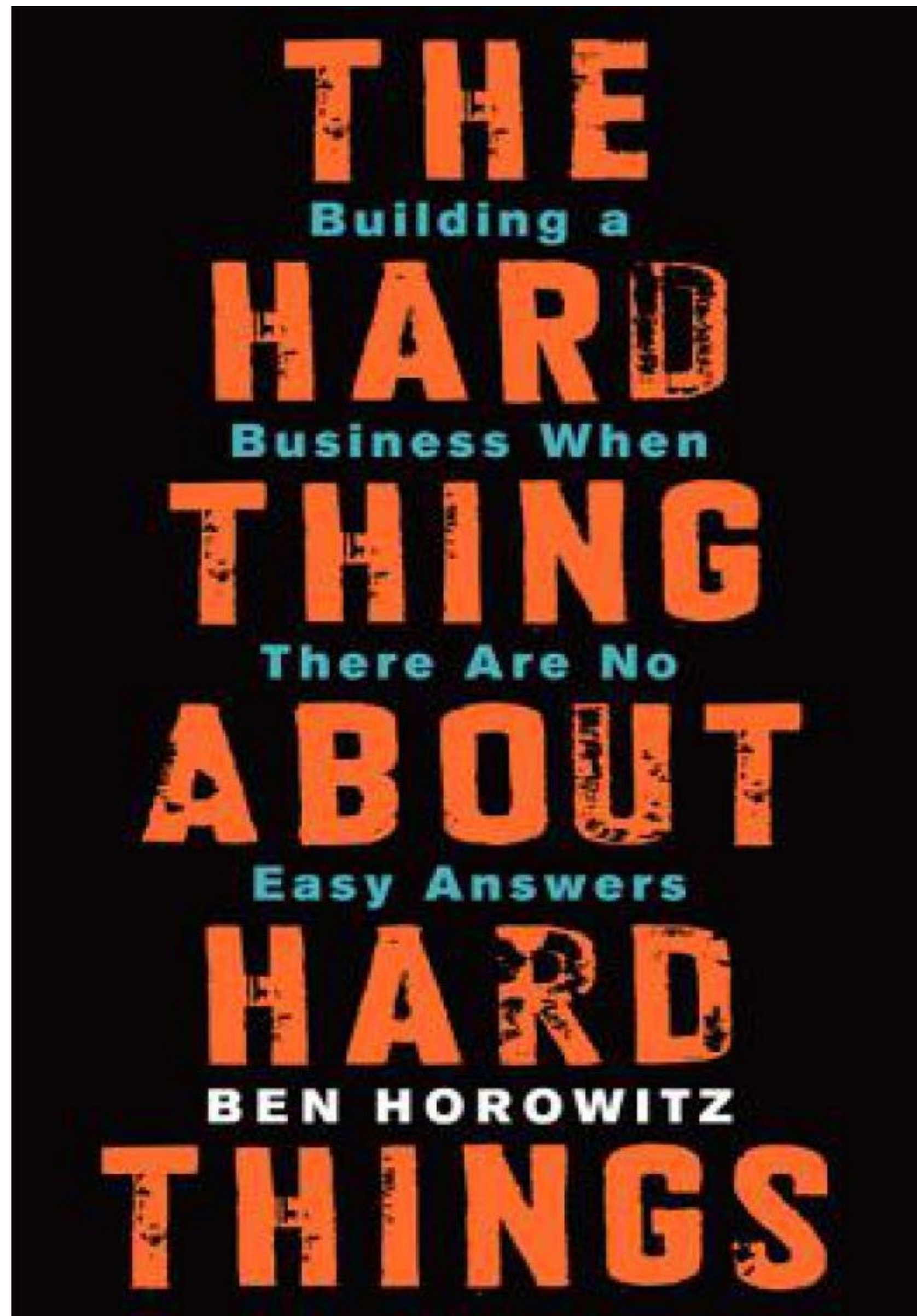
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Formula: $(A-E)/E*100\%$

P&L actual

	2023 A (6 months)	2024	2025
Number of dresses sold	30	500	1,000
Price per dress	£300	£300	£300
GROSS REVENUES	£7,470	£150,000	£300,000
Materials and manufacturing	£4,200	£65,000	£130,000
Shipping	£180	£3,000	£6,000
Secure payment system (3% Sales)	£224	£4,500	£9,000
Customer Service (2% Sales)	£149	£3,000	£6,000
COGS (DIRECT COSTS)	4,754	75,500	151,000
GROSS PROFIT	2,717	74,500	149,000
Product development	£350	£1,000	£5,000
Photoshoot	£2,000	£5,000	£10,000
Marketing	£3,500	£10,000	£15,000
Website (setup + monthly)	£1,000	£3,000	£6,000
Sales material	£500	£3,000	£8,000
SALARIES!	£0	£30,000	£90,000
Legal, other costs	£400	£3,000	£15,000
OPERATING EXPENSES	7,750	55,000	149,000
PROFIT/LOSS	-5,034	19,500	0

Measuring the effectiveness of your marketing: some metrics

6 MONTHS MARKETING KPI		£
MARKETING BUDGET		2500
NUMBER OF NEW CLIENTS	Customers who made their first purchase during the period	30
CAC	Total Marketing Costs / Number of New Customers Acquired	£83
AOV	Total Revenue Generated / Number of Orders	300
NUMBER OF ORDERS	This is the total number of orders placed by a customer in 1 yr	1
REVENUES	Money earned by a company from the sale	£9,000
LTV	AOV x Number of Orders x Average Customer Lifespan (HP: 3 yrs)	900



“You only ever experience two emotions: euphoria and terror.

And I find that lack of sleep enhances both of them...”

—Marc Andreessen

Thank you

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