

HOW TO BUILD **FINANCIAL PROJECTIONS** AND **CAPITAL REQUIREMENTS**

Business model, Financials & Go-to-market

WHERE THIS IS USED

- Venture Studio programs
- CVC pre-investment transitions
- Accelerators
- Corporate program investment committees

AUDIENCE

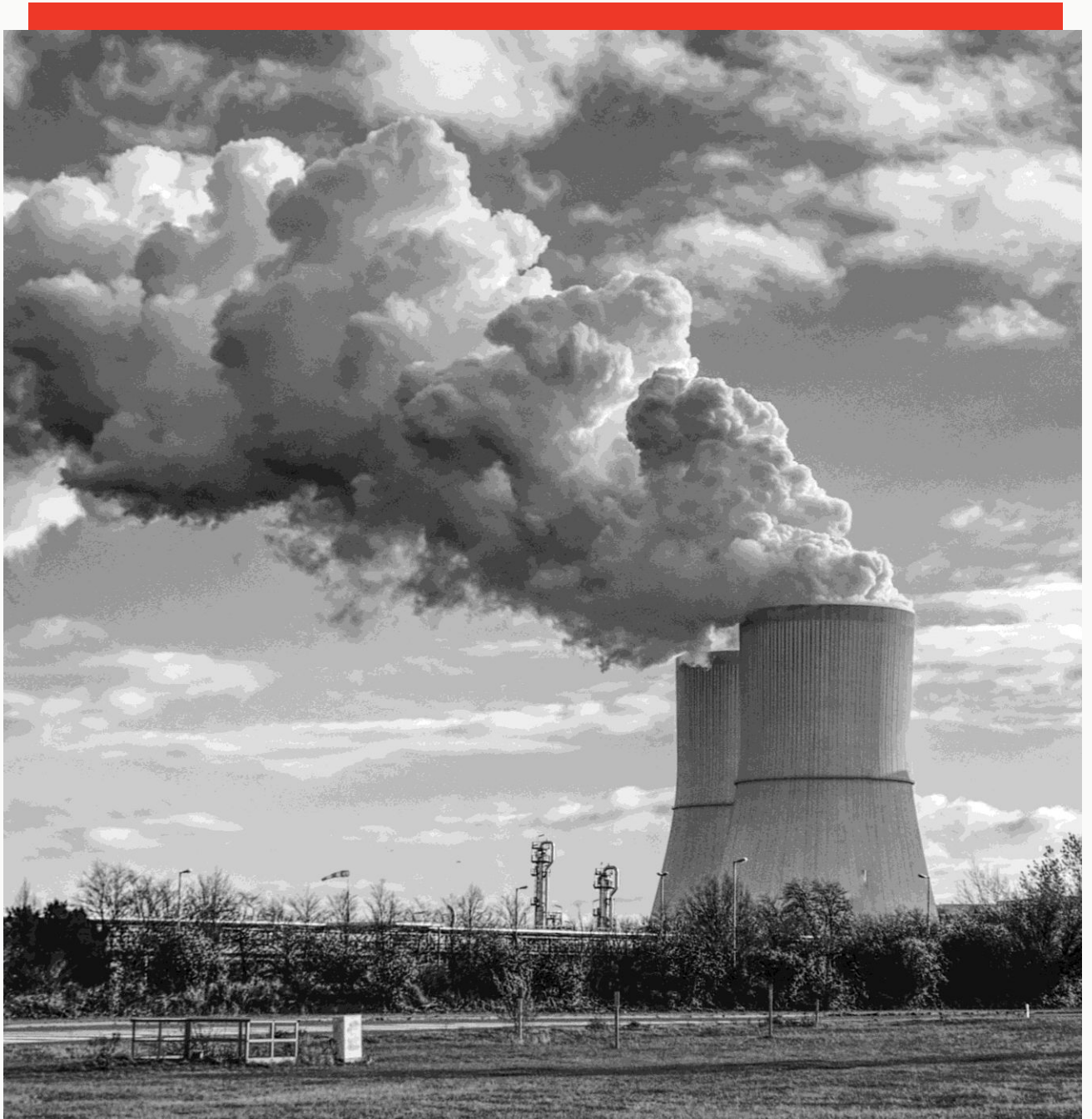
- CFOs
- Heads of Finance
- Venture Builders
- Investment Committee Members
- Executive Sponsors

PHASE

Phase Two: Validation & Design → Financial Planning (Weeks 7-9)

EXECUTIVE SUMMARY

This guide builds on the stress-tested unit economics from Guide C1 to produce investor-grade financial projections and a clear capital requirements statement. Teams learn how to structure a 36-month financial model, define funding tranches tied to validated milestones, and present capital requirements in a format that investment committees and corporate sponsors will accept. The output is a Financial Projection Package — the financial spine of the investment case.



PREREQUISITES

- Completed Guide C1: Business Model Health Report with validated unit economics
- Approved MVP Spec from Guide B1 with timeline and budget
- Market sizing data from Phase One (TAM, SAM, SOM estimates)
- Financial modeling template or tool (Excel, Google Sheets, or AI-powered financial modeling tool)



EXPECTED OUTPUT/ SUCCESS CRITERIA

You Have Succeeded When:



A 36-month financial model exists with monthly detail for Year 1 and quarterly detail for Years 2–3



Revenue projections are bottom-up (built from unit economics), not top-down (percentage of market)



Capital requirements are broken into tranches tied to specific milestones



Three financial scenarios (from Guide C1) are fully modeled



Financial Projection Package reviewed and approved by CFO or executive sponsor



STEP-BY-STEP INSTRUCTIONS

STEP 1 BUILD THE BOTTOM-UP REVENUE MODEL

- 1.1 Start with your SOM (Serviceable Obtainable Market) from Phase One. Define your market capture assumptions: what % of SOM do you capture in Year 1, Year 2, Year 3?
- 1.2 Build revenue from units, not from market percentages. Example: 'We acquire 10 enterprise customers in Month 6 at \$5,000/month each = \$50,000 MRR.' Then add customers month by month.
- 1.3 Model churn explicitly: every customer acquired in Month X begins to churn from Month X+3 at your assumed monthly churn rate.
- 1.4 Use AI to generate your bottom-up revenue model:

AI PROMPT

"Build a 36-month bottom-up revenue model for a [BUSINESS TYPE] targeting [CUSTOMER SEGMENT]. Inputs: [PASTE UNIT ECONOMICS]. Growth assumptions: [NEW CUSTOMERS/MONTH IN Y1, Y2, Y3]. Monthly churn: [%]. Build monthly columns for Year 1, quarterly for Years 2-3. Show: MRR, Cumulative Revenue, Gross Revenue, Net Revenue after churn, and ARR at end of each year. Flag the month when MRR crosses \$100K and \$500K."

STEP 2 BUILD THE COST MODEL

- 2.1 Itemize your costs into 4 categories: People (salaries, contractors), Infrastructure (cloud, tools, and licenses), Sales & Marketing (CAC spend), Operations (support, compliance, legal).
- 2.2 For each cost item, define: Is it fixed or variable? Does it scale with revenue or headcount?
- 2.3 Model the build-up of costs over 36 months. Headcount is typically the largest cost driver – define your hiring plan month by month.

STEP 3 DEFINE CAPITAL REQUIREMENTS BY TRANCHE

3.1 Investors and corporate sponsors respond better to milestone-tied capital tranches than to a single large number. Structure your capital requirements as:

TRANCHE	MILESTONE TRIGGER / USE OF FUNDS
Tranche 1 (Seed / Internal Budget)	MVP build complete, first 10 pilot customers signed, initial product-market fit signal
Tranche 2 (Series A / Strategic Investment)	Break-even on unit economics, 100+ paying customers, first market expansion
Tranche 3 (Growth Capital)	Proven GTM playbook, regional expansion, team scaling to 20+ people

STEP 4 CALCULATE RUNWAY AND BURN RATE

4.1 Total Capital Required = Sum of net operating losses until break-even, plus a 20% buffer.

4.2 Runway = Total Capital ÷ Monthly Burn Rate. Target: 18–24 months of runway per tranche.

4.3 Define your 'capital efficiency milestone': the minimum revenue or metric that justifies the next tranche.

STEP 5 PRODUCE THE FINANCIAL PROJECTION PACKAGE

5.1 Structure the package as a 3-tab financial model:

- **Tab 1** – Summary Dashboard: Key metrics, scenario comparison, capital requirements by tranche
- **Tab 2** – Revenue Model: Bottom-up monthly revenue build with all assumptions stated
- **Tab 3** – Cost Model: Itemized costs, hiring plan, and burn rate by month

5.2 Have the CFO or financial sponsor review the package before finalising

CHECKLIST

REVENUE MODEL

- SOM (Serviceable Obtainable Market) from Phase One confirmed, and market capture assumptions written for Years 1, 2, and 3
- Revenue model built bottom-up from units – not top-down from market percentages
- Year 1 acquisition modeled customer by customer per month with named assumptions
- Churn modeled explicitly: every customer cohort begins churning from Month 3 at the assumed monthly rate
- MRR, Cumulative Revenue, Gross Revenue, Net Revenue after churn, and Year-end ARR all present in the model
- Month when MRR crosses \$100K and \$500K identified

COST MODEL

- Costs itemized across 4 categories: People, Infrastructure, Sales & Marketing, and Operations
- Each cost item classified as fixed or variable and linked to its scale driver (revenue or headcount)
- Hiring plan built month by month for 36 months – headcount is typically the largest cost driver
- Sales & Marketing budget linked directly to CAC assumptions from Guide C1

CAPITAL REQUIREMENTS

- Capital requirements structured as 3 milestone-tied tranches – not a single lump sum ask
- Tranche 1 defined: MVP complete, first 10 pilot customers, initial PMF signal
- Tranche 2 defined: break-even unit economics, 100+ paying customers, first market expansion
- Tranche 3 defined: proven GTM playbook, regional expansion, team scaling to 20+ people
- Total capital required equals sum of net operating losses to break-even plus 20% buffer
- Runway calculated at above 18 months per tranche
- Capital efficiency milestone defined: minimum metric that justifies releasing the next tranche

FINANCIAL PACKAGE

- 3-tab Financial Model completed: Summary Dashboard, Revenue Model, Cost Model
- All 3 scenarios from Guide C1 incorporated in the Summary Dashboard
- Every formula in the model verified manually for the first 3 months
- CFO or financial sponsor has reviewed and approved the Financial Projection Package