



Greenbizz: Financial Projections

This section of your business plan gives you an opportunity to show investors your company's projected plans for the production and sales of your products as well as operating expenses, sources of income and profit potential for investors. It is vital that you provide a realistic (though confidently optimistic) view of your revenues and profits. This is the section that investors have most noticed in past competitions (and the section that they have challenged most).

You will complete separate financial projections for the first 5 years of operation using the Financial Template. First, you will determine a **wholesale price** for your product and your **fixed and variable costs**. For each set of annual projections you will set **product sales goals** for each budget year. Once your pricing and sales figures have been entered into the Financial Template, your costs for operations and production, as well as your revenue and profit will be calculated for you based on the **assumptions** defined by you and your Greenbizz mentor. A summary of the cost and profit margin assumptions for each company is located on a separate tab inside the spreadsheet.

In addition, you will provide discussion that supports and justifies your assumptions, pricing model and **sales goals**, i.e. reinforcing the market conditions and customer data that support your aggressive sales projections. You will also provide discussion of the individual items that comprise your **operating costs** and your **cost of goods**.

The sections to be included in your financial projections are as follows:

Pricing and Sales Models – How much will your product cost? What are the wholesale and retail prices? Will you sell directly, through distributors, or through retailers? Discuss how you plan to sell your product and how you determined the **wholesale and retail prices**.

Sales and Revenue Projections - Provide **sales and revenue estimates** for the first 5 years. Double check your entries before proceeding with the following discussion to ensure your numbers are accurate. Discuss the goals you set for **sales and revenue growth**. Discuss how you intend to penetrate your target markets and what information you used to arrive at growth estimates. It is important to justify your goals by reinforcing your previous research.

Cost of Goods - Costs of Goods includes the **direct costs of the production of the goods sold** by a company. This amount includes the materials cost used in creating the goods along with the direct labor costs used to produce the good plus energy and other utilities needed for the production process. It excludes indirect expenses such as distribution costs and sales force costs. Use the following text to introduce your list: "For the purposes of this project it is assumed that the cost of goods for our company's product comprises X% of our revenue and is composed of the following individual items: (list)."

Advertising and Marketing Expenses - It is assumed for this project that 20% of your gross revenue will be allocated to sales and marketing. Describe each of the **marketing and advertising channels** you intend to use and describe why and how each channel will effectively reach your target customers.

Sources and Uses of Funds - Where is your operating money coming from (sales, investments, etc.)? How are you prioritizing your company's expenditures? What are your plans to continue if you fail to meet your funding needs. (Make sure your explanation shows that "your skin is in the game" – see the Founders Investments assumption.) **How much money are you asking the Series B investors to invest?** What percentage of your company will they own?

Company Valuation – How much is your company worth? Will your investors make a lot of money if and when your company is sold? Discuss your **target valuation** and the **investment opportunity** for Series B investors.