

The first step – the revenue model

- The revenue model (part of your business model) drives the business and the expense structure
 - People
 - Marketing costs
 - Sales costs
- Where you should focus your attention
 - Physical product – focus on cash cycle
 - Software / service company – focus on sell cycle

SaaS company examples

- ClinicNote, Inc. (founded by an ISU grad)
 - Software as a Service (SaaS)
- Sports Knowledge (fictional android and iOS app)
 - SaaS model high volume

All financial information provided is fictional

Welcome to ClinicNote

Simple. Secure. Dependable.

FREE DEMO

Time to sellable
product < 1 year

**CLOUD BASED SOFTWARE FOR SPEECH PATHOLOGISTS &
AUDIOLOGISTS**



ClinicNote revenue model

- Direct sale
 - Universities
 - Very specific market timing aligned with start of a semester
 - Private Practices
- Indirect / assisted sale
 - Value added reseller
 - Referral / recommendation marketing
 - Not currently pursuing these channels

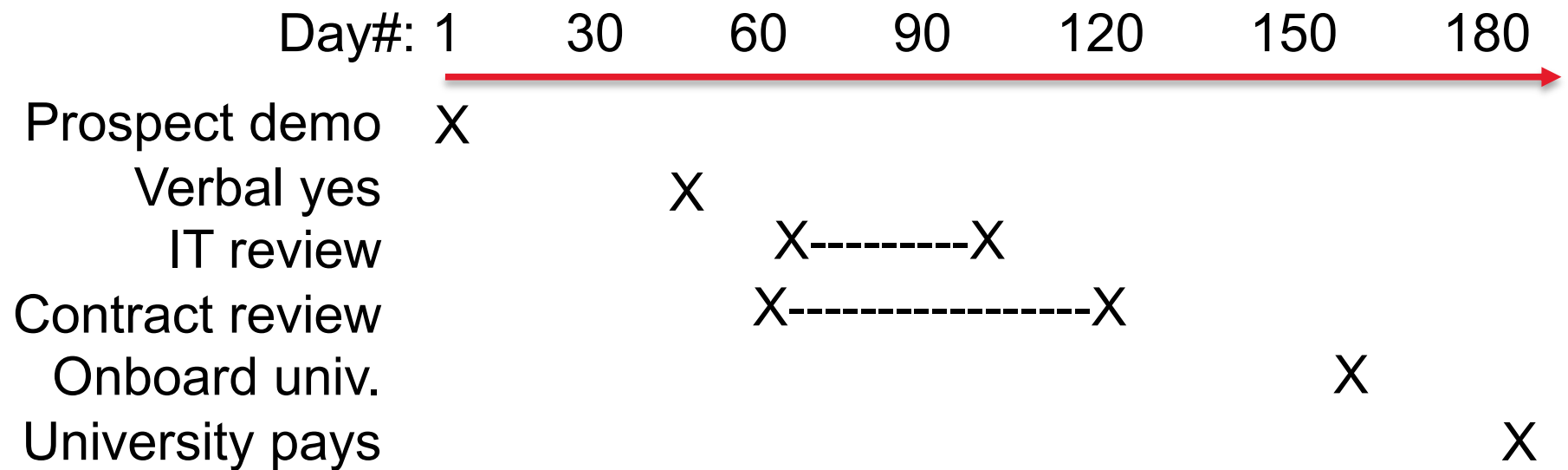


ClinicNote direct sale revenue model

- Universities
 - ACV (average contract value) = \$6,700
 - Paid up front yearly
 - No direct cost of sale
- Private practices
 - ACV = \$150 / Month or \$1,200 / year
 - Paid monthly and yearly – heavy discount for yearly payment

ClinicNote university sell cycle

University sell cycle



This is a “quick sale”. Some take one year or more



Financial impact of university direct sales

ClinicNote P&L Forecast for the year 2019													
Revenue Recognition Based													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Revenue													
Subscription Software Revenue	\$ 542	\$ 1,083	\$ 1,625	\$ 2,167	\$ 2,708	\$ 3,250	\$ 3,792	\$ 4,333	\$ 4,875	\$ 5,417	\$ 5,958	\$ 6,500	\$ 42,250
Product Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Professional Services Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Revenue	\$ 542	\$ 1,083	\$ 1,625	\$ 2,167	\$ 2,708	\$ 3,250	\$ 3,792	\$ 4,333	\$ 4,875	\$ 5,417	\$ 5,958	\$ 6,500	\$ 42,250
Cost of Goods													
Third Party / Transaction Fees	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Hosting Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Customer Support	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Internal Engineering Support	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Professional Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cost of Product Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Cost of Goods	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Gross Profit	\$ 542	\$ 1,083	\$ 1,625	\$ 2,167	\$ 2,708	\$ 3,250	\$ 3,792	\$ 4,333	\$ 4,875	\$ 5,417	\$ 5,958	\$ 6,500	\$ 42,250
Gross Margin	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

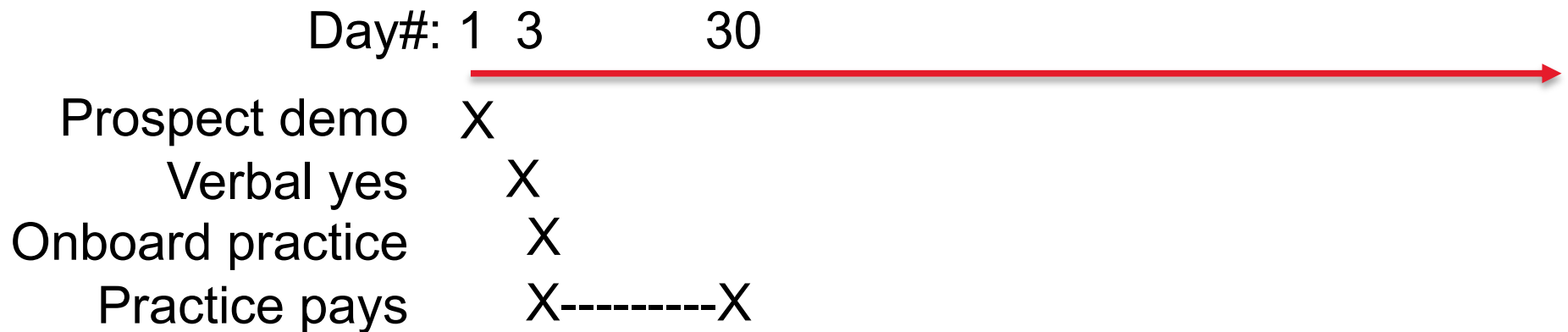
ClinicNote Cash Flow Forecast for the year 2019												
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Starting Cash	10,000	10,000	16,500	23,000	29,500	36,000	42,500	49,000	55,500	62,000	68,500	75,000
Revenue Received	-	6,500	6,500	6,500	6,500	6,500	6,500	6,500	6,500	6,500	6,500	6,500
Cost of Goods	-	-	-	-	-	-	-	-	-	-	-	-
Operating Expenses	-	-	-	-	-	-	-	-	-	-	-	-
Other Income	-	-	-	-	-	-	-	-	-	-	-	-
New Investment	-	-	-	-	-	-	-	-	-	-	-	-
Ending Cash Balance	10,000	16,500	23,000	29,500	36,000	42,500	49,000	55,500	62,000	68,500	75,000	81,500

Sell cycle = 6 to 12 months



ClinicNote private practice sell cycle

Private practice sell cycle



- This is the average private practice sale
- Referral sale and value added reseller will be similar timeframe



Financial impact of private practice sales

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Ot	Nov	Dec
New license sales	1	3	6	10	15	21	26	32	24	35	18	10
Renewal sales	0	1	4	9	18	32	50	72	99	117	144	154

ClinicNote P&L Forecast for the year 2019

Revenue Recognition Based													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Revenue													
Subscription Software Revenue	\$ 150	\$ 593	\$ 1,463	\$ 2,890	\$ 4,995	\$ 7,895	\$ 11,401	\$ 15,631	\$ 18,449	\$ 22,777	\$ 24,338	\$ 24,621	\$ 135,202
Product Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Professional Services Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Revenue	\$ 150	\$ 593	\$ 1,463	\$ 2,890	\$ 4,995	\$ 7,895	\$ 11,401	\$ 15,631	\$ 18,449	\$ 22,777	\$ 24,338	\$ 24,621	\$ 135,202
Cost of Goods													
Third Party / Transaction Fees	\$ 6	\$ 23	\$ 56	\$ 110	\$ 190	\$ 300	\$ 433	\$ 594	\$ 701	\$ 866	\$ 925	\$ 936	\$ 5,138
Hosting Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Customer Support	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Internal Engineering Support	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Professional Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cost of Product Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Cost of Goods	\$ 6	\$ 23	\$ 56	\$ 110	\$ 190	\$ 300	\$ 433	\$ 594	\$ 701	\$ 866	\$ 925	\$ 936	\$ 5,138
Gross Profit	\$ 144	\$ 570	\$ 1,407	\$ 2,780	\$ 4,805	\$ 7,595	\$ 10,967	\$ 15,037	\$ 17,748	\$ 21,911	\$ 23,413	\$ 23,685	\$ 130,064
Gross Margin	96.2%	96.2%	96.2%	96.2%	96.2%	96.2%	96.2%	96.2%	96.2%	96.2%	96.2%	96.2%	96.2%

ClinicNote Cash Flow Forecast for the year 2019

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Starting Cash	10,000	10,144	10,737	12,200	15,089	20,085	27,980	39,381	55,012	73,461	96,237	120,575
Revenue Received	150	593	1,463	2,890	4,995	7,895	11,401	15,631	18,449	22,777	24,338	24,621
Cost of Goods	6	-	-	-	-	-	-	-	-	-	-	-
Operating Expenses	-	-	-	-	-	-	-	-	-	-	-	-
Other Income	-	-	-	-	-	-	-	-	-	-	-	-
New Investment	-	-	-	-	-	-	-	-	-	-	-	-
Ending Cash Balance	10,144	10,737	12,200	15,089	20,085	27,980	39,381	55,012	73,461	96,237	120,575	145,196
Change in Cash	144	593	1,463	2,890	4,995	7,895	11,401	15,631	18,449	22,777	24,338	24,621

Sell cycle = 1 to 2 months

Summary: ClinicNote sell cycle

- Everyone underestimates the sell cycle, most by a factor of 2 or 3
 - Sometimes the earliest deals are the fastest and later deals take longer and are harder to close
- Different customer types have different sell cycles
 - University – large organization, process bound, slow!
 - Private practice – very small organization, single decisionmaker, fast
 - Typical client has 4 users

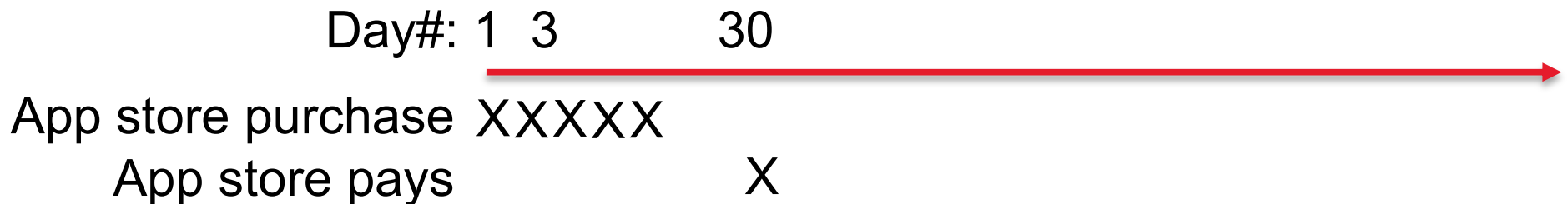


Sports Knowledge (fictitious company)

- Mobile app developer for sports fan market
- Direct sale
 - \$4.95 per month subscription
 - App store on Google and Apple
 - Apple and Google take 30% of sales for app store fees

Sports Knowledge app store sell cycle

App store sell cycle



- Google and Apple vary slightly from each other but in general they pay ever 30 days

Financial impact of app store sales

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
New license sales	21	47	189	156	1145	1258	1234	2890	1400	704	1981	1382
Renewal sales	0	17	51	192	278	1139	1917	2521	4329	4583	4230	4969

Sports Knowledge P&L Forecast for the year 2019													
Revenue Recognition Based													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Revenue													
Subscription Software Revenue	\$ 104	\$ 316	\$ 1,188	\$ 1,723	\$ 7,046	\$ 11,864	\$ 15,599	\$ 26,785	\$ 28,358	\$ 26,171	\$ 30,743	\$ 31,435	\$ 181,332
Product Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Professional Services Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Revenue	\$ 104	\$ 316	\$ 1,188	\$ 1,723	\$ 7,046	\$ 11,864	\$ 15,599	\$ 26,785	\$ 28,358	\$ 26,171	\$ 30,743	\$ 31,435	\$ 181,332
Cost of Goods													
Third Party / Transaction Fees	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Hosting Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Customer Support	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Internal Engineering Support	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Professional Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cost of Product Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Cost of Goods	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Gross Profit	\$ 104	\$ 316	\$ 1,188	\$ 1,723	\$ 7,046	\$ 11,864	\$ 15,599	\$ 26,785	\$ 28,358	\$ 26,171	\$ 30,743	\$ 31,435	\$ 181,332
Gross Margin	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Operating expenses													
Total Sales expense	\$ -	\$ 31	\$ 95	\$ 356	\$ 517	\$ 2,114	\$ 3,559	\$ 4,680	\$ 8,036	\$ 8,507	\$ 7,851	\$ 9,223	\$ 44,969
Marketing expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Product Development	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
General and Administrative	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Operating expenses	\$ -	\$ 31	\$ 95	\$ 356	\$ 517	\$ 2,114	\$ 3,559	\$ 4,680	\$ 8,036	\$ 8,507	\$ 7,851	\$ 9,223	\$ 44,969
Operating Income	\$ 104	\$ 285	\$ 1,093	\$ 1,366	\$ 6,529	\$ 9,750	\$ 12,040	\$ 22,105	\$ 20,323	\$ 17,664	\$ 22,892	\$ 22,212	\$ 136,363
Interest Expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Income before Taxes	\$ 104	\$ 285	\$ 1,093	\$ 1,366	\$ 6,529	\$ 9,750	\$ 12,040	\$ 22,105	\$ 20,323	\$ 17,664	\$ 22,892	\$ 22,212	\$ 136,363
Full Time Headcount	0	0	0	0	0	0	0	0	0	0	0	0	0
Contract Headcount	0	0	0	0	0	0	0	0	0	0	0	0	0

Sell cycle = 1 day

Financial impact of app store sales

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
New license sales	21	47	189	156	1145	1258	1234	2890	1400	704	1981	1382
Renewal sales	0	17	51	192	278	1139	1917	2521	4329	4583	4230	4969

Sports Knowledge Cash Flow Forecast for the year 2019

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Starting Cash	10,000	10,000	10,073	10,294	11,126	12,332	17,264	25,568	36,488	55,237	75,088	93,408
Revenue Received	-	104	316	1,188	1,723	7,046	11,864	15,599	26,785	28,358	26,171	30,743
Cost of Goods	-	-	-	-	-	-	-	-	-	-	-	-
Operating Expenses	-	31	95	356	517	2,114	3,559	4,680	8,036	8,507	7,851	9,223
Other Income	-	-	-	-	-	-	-	-	-	-	-	-
New Investment	-	-	-	-	-	-	-	-	-	-	-	-
Ending Cash Balance	10,000	10,073	10,294	11,126	12,332	17,264	25,568	36,488	55,237	75,088	93,408	114,928
Change in Cash	-	73	221	832	1,206	4,932	8,305	10,920	18,750	19,851	18,320	21,520

Sell cycle = 1 day

Summary: Sports Knowledge

- Deceptively simple model
- Marketing is the challenge
 - Driving user interest
 - Keeping high retention of users
 - Many apps are now one time fees