

SCALE

**Finance council:
How to create an annual plan that actually works**



Today's agenda



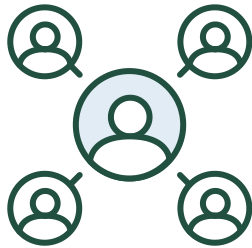
- **Welcome & introduction**
- **Why planning matters**
- **3 phases of planning**
- **Common mistakes to avoid**
- **Tools & templates**

**We help our portfolio
build and optimize
hyper-growth GTM
machines**

What is the GTM Advisory?

Advisory

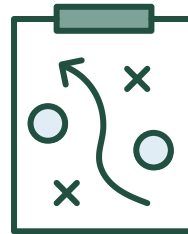
Been-to-market expertise



**Advising over 70% of the portfolio
with bespoke GTM consulting**

Content

Step-by-step guides



**Distilling decades of experience into
80+ practical tools and frameworks**

Events

The power of community



**Connecting EIRs, advisors, and
portcos at 40+ events per year**

Upcoming planning week events!

10am–11am
Friday, Oct 31

RevOps council: Annual GTM planning

Tom Murtaugh (Director of Portfolio Operations, Nordic Capital)

GTM AI Summit

9 AM - 6:30 PM, THURSDAY, NOVEMBER 6
NEW YORK CITY

The logo for the Scale GTM 25 AI Summit is centered on a rectangular background with a green-to-yellow gradient and a large white circle on the right side. The text "SCALE GTM 25 AI SUMMIT" is displayed in a bold, sans-serif font. "SCALE" is in a smaller size above "GTM". "25" is in a large, light green font, and "AI SUMMIT" is in a medium size to the right of "25".

SCALE
GTM 25 AI SUMMIT

DESCRIPTION

We'll provide highly actionable frameworks, tools, and recommendations to **help you move from AI to ROI faster**, in addition to running hands-on GTM AI labs throughout the day

Featured sessions include:

- How OpenAI agentifies GTM
- How Snowflake broke AI prospecting (147 times) so you don't have to

And so much more...

Jam sessions

CFO Lunch in NYC

12PM - 2PM

UNION SQUARE CAFE | NEW YORK CITY



We want to hear your voice!

- We'll invite questions and/or anecdotes from the audience throughout the session
- No need to raise hands—just come off mute
- Remember to share your **name, company, and title!**

Today's speaker



M.G. Thibaut
CFO EIR at Scale

How to create an Annual Plan that Actually Works

Clarity, Discipline & Alignment

Why planning matters

Most annual plans fail by Q1.

- ✓ Teams confuse precision with clarity.
- ✓ Finance builds in isolation, then gets blamed for constraints & misses.
- ✓ Founders optimize for growth; boards push for efficiency.

Great planning doesn't fight these forces – it aligns them.

What a good plan does

A great plan:

- ✓ Aligns spend with strategy
- ✓ Turns headcount into outcomes
- ✓ Extends runway intentionally
- ✓ Creates trust between leadership and the Board.

“What gets budgeted, gets done.”

The 3 Phases of Great Planning

Start in Q4 for a Jan 1 launch

Phase 1

Frame It

Define your goals & constraints

Phase 2

Build It

Model revenue, opex & cash

Phase 3

Align It

Pressure test, finalize & communicate

- ✓ Schedule functional planning reviews early
- ✓ Anchor the plan in growth goals, hiring needs & cash availability
- ✓ Treat planning as a sprint, with clear owners, milestones and deadlines

Phase 1: Frame It

Purpose: Decide what you're solving for

- ✓ Growth? Efficiency? Runway?
- ✓ What does “winning” look like 1 year from now?
- ✓ What trade-offs are you willing to make?

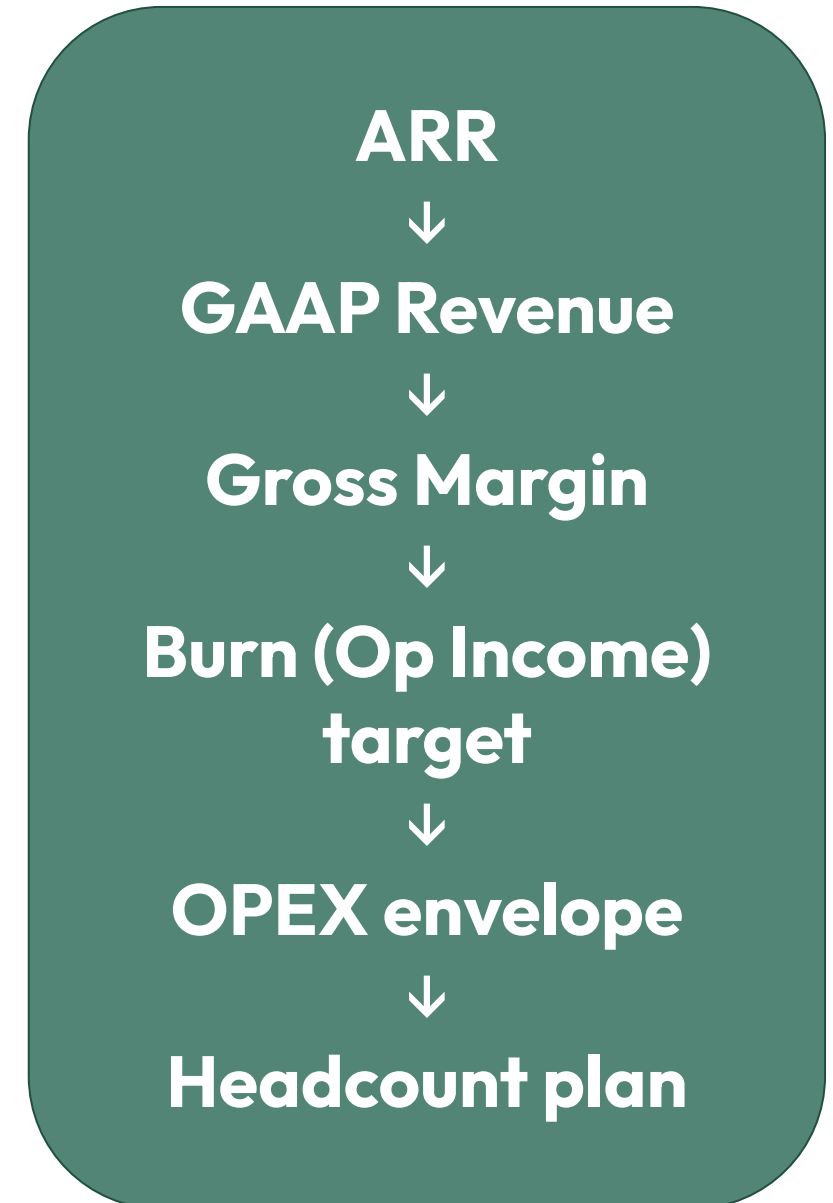
Example prompt for exec teams:

If we can't do everything - what are the 3 bets worth making?

Phase 2: Build It (Top-Down)

Start from the top-down:

- ✓ Set revenue goals based on market opportunity & board expectations
- ✓ Translate ARR → GAAP Revenue → Cash
- ✓ Back into your total spend envelope based on target burn



Example: Tops Down Model

1. Start with ARR.
2. Identify your GM targets.
3. Estimate GAAP revenue.
4. What are your efficiency targets?
5. What is your burn target?
6. Back into your OPEX target.
7. ~85% of OPEX is HC
8. Split HC (and total OPEX) into dept-level targets.

Tops Down Model			
in \$MMs	2025E	2026P	Notes
Net New ARR Added	\$3.0	\$5.0	
Ending ARR	\$5.0	\$10.0	100%
Est. GAAP Rev	\$2.5	\$6.8	170%
Target GM%	65%	75%	
Gross Margin	\$1.6	\$5.1	
Target Burn Multiple	0.80	0.70	Burn \$0.70 for \$1 of net new added. Top quartile range: 0.6 - 1.5
Target Burn	\$3.8	\$7.1	Corollary for Operating Income
OPEX Target		\$12.2	
Headcount % of OPEX		85%	
Headcount Budget		\$10.4	
Avg HC cost		\$0.20	
Total Heads		51	
Split across functions	% of Total HC	Target HC	
S&M	45%	22	Range 35 - 45%
R&D	40%	20	Range 35 - 45%
G&A	15%	7	Range 10-20%

Phase 2: Build It (Bottom-Up)

Then reality-check by going bottom-up

- ✓ Capacity modeling by AE / Quota / Ramp plan
- ✓ Pipeline / Funnel modeling (e.g. Lead → MQL → Opp → Win x ACV)
- ✓ Hiring plan by strategic priority (by function)
- ✓ Key cost drivers (COGs, infrastructure, people)

Phase 3: Align It

Planning is a sprint, not a spreadsheet

- ✓ Target an 8-week timeline with clear owners & milestones. *Planning will fill the time allotted so keep the schedule tight and clear!*
- ✓ Cross-functional reviews at each checkpoint
- ✓ CEO + Finance alignment → Board sign-off



Example Timeline

This links out to a very detailed timeline with multiple workstreams. Adjust to make it your own and relevant for your business.

	SEPTEMBER					OCTOBER			
Beg of week	8/28/2023	9/4/2023	9/11/2023	9/18/2023	9/25/2023	10/2/2023	10/9/2023	10/16/2023	10/23/2023
End of week	9/1/2023	9/8/2023	9/15/2023	9/22/2023	9/29/2023	10/6/2023	10/13/2023	10/20/2023	10/27/2023
Holidays		Labor Day							
Key Events		Exec Offsite							
Overall		Strategy/Exec Alignment on Top Priorities	V.1 Tops Down 9Q Plan (thru EOY 2025)			Consolidate and Evaluate Metrics	V.2 - 50% Plan Complete	Interlock: GTM / Product Plan alignment	
Planning Tracks:									
ARR/Revenue					V.1 - Sales Capacity Model Due	V.1 - ARR and Revenue Models Due			V.2 - Capacity Model Due with Updates from Interlock
Hosting Costs					V.1 - Cost Model Due	Sync with Revenue Model			V.2 - Cost Model Due with Updates from Interlock
Opex - GTM			Distribute Opex Templates		Business Checkpoint 1 - Opex Templates Due			Updates based on interlock meetings	Business Checkpoint 2
Opex - R&D			Distribute Opex Templates		Business Checkpoint 1 - Opex Templates Due			Updates based on interlock meetings	Business Checkpoint 2
Opex - G&A			Distribute Opex Templates		Business Checkpoint 1 - Opex Templates Due			Updates based on interlock meetings	Business Checkpoint 2

Common Pitfalls to Avoid

- ✗ Overestimating ramp speed or sales productivity
- ✗ Assuming bookings growth without GTM inputs
- ✗ Ignoring churn or overestimating expansion
- ✗ Failing to model delay between bookings and revenue recognition
- ✗ No contingency. *Always pressure test downside scenarios.*
- ✗ Not previewing your plan with key BOD members *before* the meeting

Your job is to build a credible story, not a perfect forecast.

(And BTW - 100% of plans are wrong)

The MODEL

Link to Model Here:

Scale financial planning template

**Make a copy &
make it your own!**

SCALE

Instructions

Overview

This templated financial planning model, developed by Scale Venture Partners, is meant to assist early- and mid-stage startups with their annual financial planning. It includes functionality for forecasting subscription and non-subscription revenue, cost of sales, and operating expenses (including headcount) and outputs a complete set of pro forma financials.

Key elements

Section	Tab title	Function
ARR tabs	Section overview	<i>These tabs provide two ways to forecast ARR--the pipeline & conversion scheme, or the sales capacity scheme--and models of varying levels of complexity for each scheme. Choose the one that works best for your business and ignore the other ones. Then, simply select the one you've used in the assumptions bar at the top of the "Subscription revenue model" tab.</i>
	Sales capacity inputs	If you're using the sales capacity scheme, use this tab to fill out your assumptions around quota, ramp times, and sales team headcount.
	Sales capacity model (simple)	If you're using the sales capacity scheme, this tab will provide a simple sales capacity model for forecasting new logo bookings, expansion bookings, and churn. It does not force you to do a breakdown by segment, so it is particularly useful for early-stage companies without defined segments.
	Sales capacity model	If you're using the sales capacity scheme, this tab will provide an intermediate sales capacity model for forecasting new logo bookings, expansion bookings, and churn. It does include a breakdown by segment.
	Pipeline & conversion model (simple)	If you're using the pipeline & conversion model scheme, this tab will provide a simple model for forecasting pipeline, conversion, new logo bookings, expansion bookings, and churn. It makes the simplifying assumption that sales cycles close within a month, which, though not accurate for most businesses, nonetheless yields roughly correct results. Additionally, it does not force you to do a breakdown by segment, so it is particularly useful for early-stage companies without defined segments.
	Pipeline & conversion model	If you're using the pipeline & conversion model scheme, this tab will provide an intermediate model for forecasting pipeline, conversion, new logo bookings, expansion bookings, and churn. It makes the simplifying assumption that sales cycles close within a month, which, though not accurate for most businesses, nonetheless yields roughly correct results. It does include a breakdown by segment.
	Pipeline & conversion model (complex)	If you're using the pipeline & conversion model scheme, this tab will provide an advanced model for forecasting pipeline, conversion, new logo bookings, expansion bookings, and churn. It allows you to specify your sales cycle length (the default for the model is 4 months) and carry over pipeline from month to month accordingly. It also includes a breakdown by segment.
Revenue tabs	Section overview	<i>These tabs translate ARR bookings into revenue and capture any non-subscription revenue.</i>
	Subscription revenue model	This tab translates gross new ARR bookings, forecasted by whichever ARR tab you chose to use, into billings, collections, write-offs, and revenue. It also tracks accounts receivable and deferred revenue.
	Non-subscription revenue model	This tab captures non-subscription revenue and makes the simplifying assumption that all such revenue is collected within the month that it is recognized and billed. To relax this assumption, simply copy the relevant logic from the "Subscription revenue model" tab.

Presenting to the BOD

Example output

See the template!

- ✓ Strategy 1-pager (*bonus template*)
- ✓ ARR waterfall by quarter
- ✓ Quarterly Financials
- ✓ Headcount plan by quarter and by team

1-Page Company Strategy

Vision

Where are we going?

A single inspiring sentence that defines the long-term destination

Mission

Why do we exist?

Defines the core problem you solve and for whom.

Strategic Pillars (3-4 max)

How we'll win

Each pillar should be both distinct and durable - the big levers of competitive advantage.

- Product Leadership
- GTM Focus
- Customer Experience
- Operational Excellence

Each pillar can include 1-2 key proof points or priorities.

Key Metrics

How we'll measure progress

ARR Growth
GM%
NRR
Burn Multiple

Strategic Choices

What we won't do

Enablers / Dependencies

What must be true for this to work?

1-Page Financial Plan

Financial Period <i>Figures in \$m</i>	2022 Actual	2023 Fcst	2024 Plan	2025 Plan	2023 Y/Y %	2024 Y/Y %	2025 Y/Y %
New Logo ARR	\$5.0	\$5.9	\$6.7	\$7.8	18%	14%	16%
Expansion ARR	\$11.3	\$13.0	\$15.5	\$18.1	15%	19%	17%
Gross New Annual ARR	\$16.3	\$18.9	\$22.2	\$25.9	16%	17%	17%
Churn / Contraction ARR	-\$5.8	-\$7.2	-\$8.1	-\$8.9	24%	12%	10%
Net New Annual ARR	\$10.5	\$11.7	\$14.1	\$17.0	12%	20%	21%
Ending Annual ARR	\$52.3	\$64.0	\$78.0	\$95.0	22%	22%	22%

Financial Period <i>Figures in \$m, Non-GAAP</i>	2022 Actual	2023 Fcst	2024 Plan	2025 Plan	2023 Y/Y %	2024 Y/Y %	2025 Y/Y %
Total Revenue	\$49.1	\$58.7	\$70.5	\$85.6	20%	20%	21%
Total Cost of Revenue	\$10.7	\$11.3	\$12.3	\$14.3	5%	9%	16%
Gross Profit	\$38.4	\$47.4	\$58.2	\$71.4	24%	23%	23%
<i>Gross Margin %</i>	78%	81%	82%	83%			
Sales & Marketing <i>% of Revenue</i>	\$21.8 44%	\$21.6 37%	\$23.6 34%	\$26.5 31%	-1%	9%	12%
Research & Development <i>% of Revenue</i>	\$22.0 45%	\$21.9 37%	\$23.0 33%	\$24.9 29%	-1%	5%	8%
General & Administrative <i>% of Revenue</i>	\$11.4 23%	\$11.7 20%	\$12.3 17%	\$14.0 16%	3%	6%	13%
Total Operating Expense	\$55.2	\$55.2	\$59.0	\$65.4	0%	7%	11%
Operating Income (Loss)	-\$16.8	-\$7.8	-\$0.8	\$6.0	-54%	-90%	-855%
<i>% of Revenue</i>	-34%	-13%	-1%	7%			
Net Ordinary Income excl SBC	-\$18.7	-\$10.4	-\$3.6	\$3.3	-44%	-65%	-192%
Cash Burn excl Debt	-\$15.0	-\$6.6	-\$1.1	\$5.5	-56%	-83%	-588%
Cash impact of Debt	\$5.7	\$2.2	-\$0.4	-\$2.1	-62%	-118%	435%
Ending Cash	\$13.5	\$9.0	\$7.5	\$11.0	-33%	-17%	45%

ARR by Quarter

Notes

- What
- Why
- Insights / Takeaways

	Actual	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
	Q1 2025	Q2 2025	Q3 2025	Q4 2025	Q1 2026	Q2 2026	Q3 2026	Q4 2026
ARR at start of period	\$ 1,750,000	\$ 2,929,698	\$ 4,159,105	\$ 5,769,669	\$ 8,014,044	\$ 11,366,281	\$ 15,742,611	\$ 20,248,927
New logo bookings	\$ 1,181,250	\$ 1,233,750	\$ 1,610,565	\$ 2,244,375	\$ 3,329,375	\$ 4,344,375	\$ 4,463,065	\$ 4,217,500
Expansion	\$ 32,154	\$ 49,821	\$ 69,455	\$ 96,783	\$ 160,036	\$ 223,685	\$ 302,754	\$ 379,261
Gross new bookings	\$ 1,213,404	\$ 1,283,571	\$ 1,680,020	\$ 2,341,158	\$ 3,489,411	\$ 4,568,060	\$ 4,765,819	\$ 4,596,761
Churn	\$ (33,706)	\$ (54,165)	\$ (69,455)	\$ (96,783)	\$ (137,174)	\$ (191,730)	\$ (259,504)	\$ (325,080)
Net new ARR	\$ 1,179,698	\$ 1,229,407	\$ 1,610,565	\$ 2,244,375	\$ 3,352,237	\$ 4,376,330	\$ 4,506,315	\$ 4,271,680
ARR at end of period	\$ 2,929,698	\$ 4,159,105	\$ 5,769,669	\$ 8,014,044	\$ 11,366,281	\$ 15,742,611	\$ 20,248,927	\$ 24,520,607
Y/Y Growth Rate					288%	279%	251%	206%

Quarterly Financials

Notes

- What
- Why
- Insights / Takeaways

		Quarterly statements							
		Actual	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
		Q1 2025	Q2 2025	Q3 2025	Q4 2025	Q1 2026	Q2 2026	Q3 2026	Q4 2026
Income statement									
Revenue	Subscription revenue	\$ 842,158	\$ 1,136,613	\$ 1,463,844	\$ 1,919,303	\$ 2,553,110	\$ 3,341,093	\$ 4,330,870	\$ 5,215,196
	Professional services & other revenue	\$ 77,558	\$ 81,111	\$ 79,334	\$ 79,334	\$ 139,334	\$ 139,334	\$ 139,334	\$ 139,334
	Total revenue	\$ 919,716	\$ 1,217,724	\$ 1,543,179	\$ 1,998,637	\$ 2,692,444	\$ 3,480,428	\$ 4,470,204	\$ 5,354,531
Cost of Sales	Total cost of sales	\$ 78,202	\$ 98,366	\$ 163,956	\$ 204,947	\$ 261,990	\$ 332,908	\$ 421,988	\$ 501,578
Gross profit		\$ 841,514	\$ 1,119,358	\$ 1,379,223	\$ 1,793,690	\$ 2,430,454	\$ 3,147,519	\$ 4,048,216	\$ 4,852,953
Gross Margin %		91%	92%	89%	90%	90%	90%	91%	91%
Operating expense	G&A	\$ 790,431	\$ 733,117	\$ 825,958	\$ 825,958	\$ 825,958	\$ 825,958	\$ 825,958	\$ 825,958
	S&M	\$ 624,208	\$ 623,792	\$ 820,558	\$ 1,024,800	\$ 855,960	\$ 855,960	\$ 855,960	\$ 855,960
	R&D	\$ 324,890	\$ 324,890	\$ 324,890	\$ 324,890	\$ 324,890	\$ 324,890	\$ 324,890	\$ 324,890
	Other	\$ 274,852	\$ 200,922	\$ 237,887	\$ 237,887	\$ 237,887	\$ 237,887	\$ 237,887	\$ 237,887
	Total operating expense	\$ 2,014,381	\$ 1,882,721	\$ 2,209,293	\$ 2,413,535	\$ 2,244,695	\$ 2,244,695	\$ 2,244,695	\$ 2,244,695
Operating income		\$ (1,172,867)	\$ (763,362)	\$ (830,070)	\$ (619,845)	\$ 185,759	\$ 902,824	\$ 1,803,521	\$ 2,608,258
Net income		\$ (1,172,867)	\$ (763,362)	\$ (830,070)	\$ (619,845)	\$ 146,750	\$ 713,231	\$ 1,424,782	\$ 2,060,524
Ending Cash		\$ 13,583,814	\$ 13,002,918	\$ 13,028,376	\$ 12,811,343	\$ 14,485,097	\$ 16,320,846	\$ 19,495,161	\$ 22,248,793
Months of runway		46	68	63	83	-395	-92	-55	-43

Headcount Plan

Notes

- What
- Why
- Insights / Takeaways

Can also show by strategic priority - connect back to strategic pillars & priorities

Financial Year	Q4-2024	Q1-2025	Q2-2025	Q3-2025	Q4-2025	2025
Employee Count	Act	Plan	Plan	Plan	Plan	Y/Y
Customer Support	7	8	8	8	8	14%
Professional Services	9	10	10	10	10	11%
Total Cost of Revenue	16	18	18	18	18	13%
AEs - quota carrying	23	23	24	26	29	26%
Sales - other	23	24	26	27	27	17%
Marketing	16	16	16	17	17	6%
Customer Success	22	22	23	23	24	9%
Total Sales & Marketing	84	85	89	93	97	15%
Engineering	70	70	72	76	77	10%
Product	18	17	18	19	19	6%
Total R&D	88	87	90	95	96	9%
Finance & Accounting	10	10	10	10	10	0%
Data & Rev Ops	13	13	13	13	13	0%
People	4	4	5	5	6	50%
Legal & Other G&A	8	8	8	9	9	13%
Total G&A	35	35	36	37	38	9%
Total Employee Count	223	225	233	243	249	12%
Contractors	34	31	31	34	30	-12%

Operating Metrics

Notes

- What
- Why
- Insights / Takeaways

Category	Item	Operating Metrics							
		Actual Q1 2025	Forecast Q2 2025	Forecast Q3 2025	Forecast Q4 2025	Forecast Q1 2026	Forecast Q2 2026	Forecast Q3 2026	Forecast Q4 2026
Sales efficiency	Total: Gross new ARR	\$ 1,213,404	\$ 1,283,571	\$ 1,680,020	\$ 2,341,158	\$ 3,489,411	\$ 4,568,060	\$ 4,765,819	\$ 4,596,761
	Total: Net new ARR	\$ 1,179,698	\$ 1,229,407	\$ 1,610,565	\$ 2,244,375	\$ 3,352,237	\$ 4,376,330	\$ 4,506,315	\$ 4,271,680
	Total: Gross SE	1.9	2.1	2.0	2.3	4.1	5.3	5.6	5.4
	Total: Net SE	1.9	2.0	2.0	2.2	3.9	5.1	5.3	5.0
Growth & cash position									\$
	Total ending ARR	\$ 2,929,698	\$ 4,159,105	\$ 5,769,669	\$ 8,014,044	\$ 11,366,281	\$ 15,742,611	20,248,927	24,520,607
	Y/Y growth %					288%	279%	251%	206%
	Ending cash	\$ 13,583,814	\$ 13,002,918	\$ 13,028,376	\$ 12,811,343	\$ 14,485,097	\$ 16,320,846	\$ 19,495,161	\$ 22,248,793
	Operating income	\$ (1,172,867)	\$ (763,362)	\$ (830,070)	\$ (619,845)	\$ 185,759	\$ 902,824	\$ 1,803,521	\$ 2,608,258
	Months of runway	46	68	63	83				
Retention	Burn multiple	0.99	0.62	0.52	0.28	-0.06	-0.21	-0.40	-0.61
	Gross retention	98.1%	98.2%	98.3%	98.3%	98.3%	98.3%	98.4%	98.4%
	Net retention	99.9%	99.9%	100.0%	100.0%	100.3%	100.3%	100.3%	100.3%

Polish is a signal of rigor

Format matters

- Ensure your slides **look professional** and reflect the care you (obviously) put into them
- **Create a style guide** and stick to it! Messy, inconsistent reporting distracts from the story
- Make sure **numbers are in 12pt+ font**

Make liberal use of the appendix

- Keep the financial section tight - **no more than 5 slides**
- Put detailed financials (BS, CF statement, GAAP financials) and metrics **in the appendix**
- If Board members have questions, they will ask!

Wrap up & next steps

Bringing it to life

Make it a system, not an event

- ✓ Quarterly forecast updates
- ✓ Bi-annual re-plans tied to results, learnings and course corrections
- ✓ Create a single source of truth – plan of record with dashboards to track progress along the way.

The plan only matters if it keeps you focused and drives how you operate.

Planning requires a mindset shift

Your job isn't to predict the future - it's to make better decisions as it unfolds

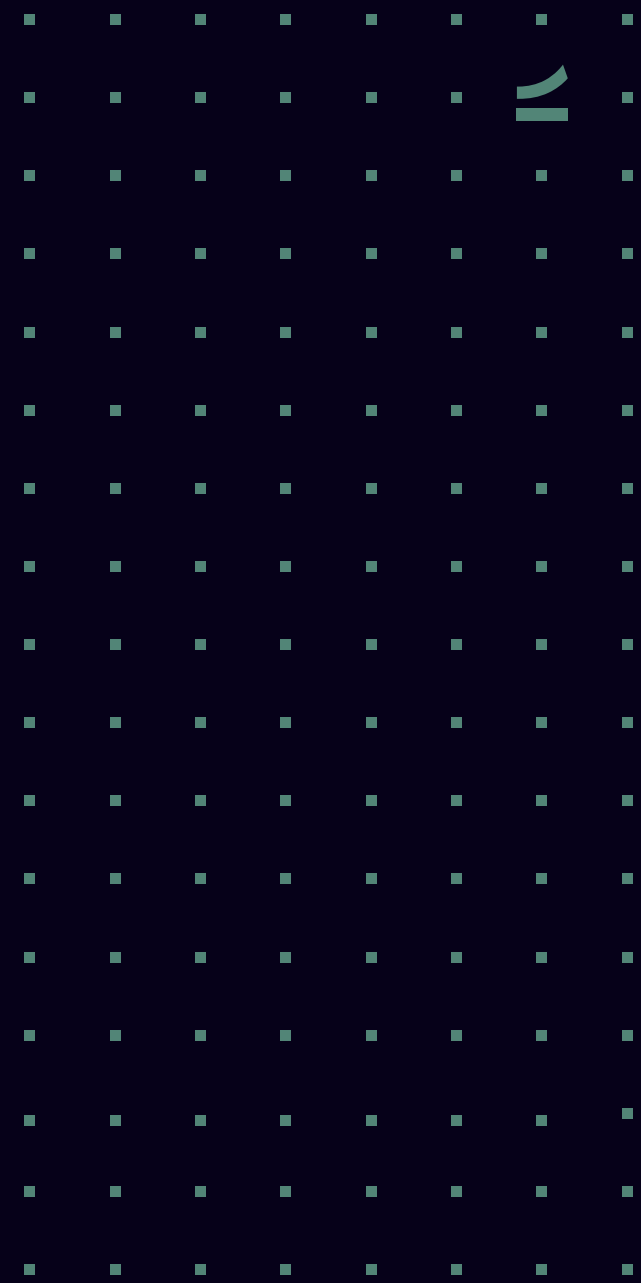
Next steps

- Access the model template [here](#) & begin tailoring it for your company
- Sign up for a session with M.G.! Email me at mg.thibaut@scalevp.com

Additional Resources

- [How CFOs build a Goldilocks “Just Right” Budget](#) (BVP)
- [Annual Planning: Conquer 2026 with the Right Plan](#) (from Abacum)
- [Guide to Creating Budgets that Drive Business Performance](#) (from Abacum)

Questions



Appendix



Set Strategic Objectives for the Year

Purpose: Align leadership on the company's business priorities before modeling. What are we solving for? What will success look like?

Key Questions

- What growth levers are we pulling this year?
- What does the company look like a year from now?
- What does “winning” mean?

Tools / Deliverables

- Strategic objectives slide: 1-2 year vision
- Articulation of strategic investment areas
- OKRs

Owner: CEO with Finance + Leadership Team

Define Planning Goals & Financial Objectives

Purpose: Translate strategic goals into planning targets (ARR, burn, runway, efficiency). These form the backbone of the plan

Key Questions

- Are we prioritizing growth, efficiency or runway?
- Are there fundraising timelines to plan around?
- What targets matter most to our board?

Tools / Deliverables

- Planning goals articulated
- Investor expectations understood
- Snapshot of high level targets

Owner: CEO + Finance

Start with a dual approach to revenue planning

Use both tops-down and bottoms-up methods to build a credible plan.

Tops-Down

- Begin with TAM / SAM estimates and market penetration goals
- Cross-check against industry benchmarks (growth rates, ACV, retention)
- Use as a strategic ceiling - not your operating plan

Bottoms-Up

- Build from your actual GTM model
- Use rep counts, quotas, sales cycles, conversion rates & ACVs
- Grounded in headcount & marketing capacity - this is your operating reality

The best plans are informed by strategy (tops-down) & grounded in execution (bottoms-up)

Tops down budgeting: step-by-step guide

This approach helps ensure your plan roughly aligns with growth goals, available capital and expected burn.

Step	Notes
1. Model ARR Growth	Start with historical ARR growth as your baseline Adjust for realism: 80% of current ARR growth = next year's growth assumption
2. Translate ARR to GAAP Revenue	Apply revenue recognition logic: NQ GAAP revenue = [CQ Ending ARR / 4] + [CQ Net New ARR / 4] + Services + Implementation + Other
3. Assess Cash Position & Desire Runway	What is your current cash balance? What is your target runway (e.g. 18 - 24 months) Given this - determine your allowable quarterly burn
4. Define Gross Margin Expectations	Assess trends in COGs & GM% - are margins stable, improving or declining?
5. Back into a Total Spend Envelope	Quarterly Cash Burn Target \approx Operating Loss \approx GAAP Revenue - COGs - Total OPEX
6. Allocate OPEX by Function	S&M \approx 50% of OPEX R&D \approx 35% G&A \approx 15%
7. Sanity Check Your Ratios	Are burn multiples & Net SE reasonable given expected ARR metrics?
8. Translate to Functional Budgets	Back into rough headcount budgets & non-HC expenses by function Use this envelope for more detailed bottoms-up planning

Key revenue levers to model

Break your plan into distinct, trackable components – and build these elements into a quarterly ARR waterfall.

Component	Definition
New Logo ARR	Revenue from new customer acquisition (new logos)
Expansion ARR	Upsells, cross-sells and / or pricing uplift on existing customers
Churned ARR	Lost revenue from customers leaving your service or reducing their spend (contraction)
Net New ARR	$\text{New} + \text{Expansion} - \text{Churn} = \text{Net New ARR}$

Inputs for Bottoms-up revenue planning

Focus on GTM mechanics & productivity

Component	Note
# of Quota-carrying reps	Include ramp time for new hires
Ramp schedule	New reps might hit 25-50% of quota in months 1-3
Quota per rep	Varies per ACV & sales motion (self-serve vs. enterprise) but target 4-6x quota to OTE.
Sales cycle length	Determines when closed-won ARR hits the books (and when cash is received)
Lead conversion assumptions	Opportunity-to-close rate, stage-to-stage conversion
Customer retention & expansion	Use gross and net revenue benchmarks to model renewals and churn

Capacity Planning Template

Excel Model (can we move to Sheets?)

Link to Scale Community page here:

<https://community.scalevp.com/c/static/content?recAgzZ58oIXmkEgE>

Example: ARR waterfall

Build confidence in your revenue plan

Show how your bookings ramp over time

Show impact of retention

ARR Waterfall								
	Q1:24	Q2:24	Q3:24	Q4:24	Q1:25	Q2:25	Q3:25	Q4:25
	Actual	Actual	Budget	Budget	Budget	Budget	Budget	Budget
Starting ARR	\$1,000	\$1,440	\$1,911	\$2,477	\$3,056	\$4,390	\$5,882	\$7,557
New Customer ARR	\$338	\$356	\$375	\$394	\$1,013	\$1,069	\$1,125	\$1,181
Upsell	\$103	\$144	\$191	\$244	\$322	\$448	\$590	\$751
Gross New ARR	\$440	\$501	\$566	\$638	\$1,335	\$1,517	\$1,715	\$1,932
Churn	\$-	(\$30)	\$-	(\$60)	\$-	(\$25)	(\$40)	(\$90)
Net New ARR	\$440	\$471	\$566	\$578	\$1,335	\$1,492	\$1,675	\$1,842
Ending ARR	\$1,440	\$1,911	\$2,477	\$3,056	\$4,390	\$5,882	\$7,557	\$9,399
YoY Growth %					205%	208%	205%	208%

Thank you

