



**FINANCIALS:  
TRACK RECORD, PROJECTIONS, ASSUMPTIONS**

**TIPS AND GUIDELINES**

**SUPPORTED AND TANGIBLE INVESTOR RISK ADJUSTED RETURNS**

**Purpose**

The goal of providing financials (track record (historical), projections, pro forma and assumptions) (“Financials”) is for an investor to have a tangible numbers-based pathway to think about your investment opportunity. The investor understands that Financials are a point in time picture of the investment opportunity and its prospects so any projections are understood to be best estimate from the capital seeker about future prospects. The value of the projections (even if they turn out to be grossly inaccurate) is that they provide an investor insight into the capital seeker’s thought process about providing financial (ie: numbers-based) returns to the investor.

**NOTE:**

Projections are not expected to be accurate (the future cannot be predicted).  
Assumptions are expected to be supported.

A capital seeker who has supported Financials that demonstrate the possibility for 100% returns is setting different expectations for an investor than one who has supported Financials that demonstrate 7% returns. The different expectations will create different questions and appeal to different investors.

RETURN PROFILE	INVESTOR EXPECTATION	SAMPLE INVESTOR QUESTIONS
100%	<ul style="list-style-type: none"> <li>• High Return</li> <li>• High Risk</li> </ul>	<ul style="list-style-type: none"> <li>• What is market opportunity that supports high return?</li> <li>• Why does it exist?</li> <li>• What is capability of company to take advantage of it?</li> </ul>
7%	<ul style="list-style-type: none"> <li>• Low Return</li> <li>• Low Risk</li> </ul>	<ul style="list-style-type: none"> <li>• How safe is this investment?</li> <li>• How is risk managed?</li> <li>• What steps are being used to ensure capital protection?</li> </ul>

Investors are comparing your opportunity to others to which they have access. Gaining access to capital is a competitive endeavor - your investment proposition will be compared with many others. Some investment opportunities will seem similar to yours and some will seem different and your projected return expectations provide a method for investors to make comparisons across different opportunities. Your ability to meet investor’s goals/return requirements needs to be strong enough to stand out from the pack.



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## Best Practices

Best practices for presenting Financials (see Appendix for more detailed descriptions) requires focusing on relevant return levers as well as supported and tangible assumptions. Well-constructed Financials help an investor understand the investment opportunity in a concrete manner and help narrow the gap between investor skepticism and capital seeker enthusiasm such that an investor feels comfortable moving forward with their due diligence / making an investment.

There are usually two levels of Financials - Introductory Financials that go into the Pitch Deck (see Pitch Deck - [Company](#) / [Fund](#)) and Comprehensive Financials that an investor uses to make an investment decision.

Introductory Financials should focus on presenting supported assumptions and those relevant parts of the Comprehensive Financials that convey possible financial returns in the most effective manner possible. The purpose of the Introductory Financials is to create enough interest so that an investor wants to analyze the Comprehensive Financials.

Comprehensive Financials should be detailed enough such that the levers that might change the returns can be understood and tested. To the extent that there is a model, it should allow a potential investor to test assumptions and run scenarios.

Investors make investment decisions based upon risk adjusted returns and want to be able to understand the investment risk profile as well as potential returns. They are usually willing to take a lower return if they are convinced that the investment opportunity has lower risk. Conversely, if the investment opportunity has high risk, an investor is going to demand higher returns.

### Result

Well-constructed Financials provide evidence and support to justify an attractive risk adjusted return. An investment occurs when risk adjusted returns have greater support and are more attractive than other investment opportunities.

**Contact Us  
For Your  
Capital Raise**

About Deer Isle Group:

Deer Isle Group (“Deer Isle”) with its subsidiaries, Deer Isle Capital, a registered broker/dealer, and Deer Isle Financial, is a differentiated investment bank that provides “as needed” financial/strategy and closing advisory as well as proprietary technology solutions that give access to 10,000+ institutional investors. Our business is built upon providing investors and capital seekers/issuers the right tools in order to ensure a transparent, smooth and efficient capital solution. Our strength in these factors has helped drive our proven execution capabilities.

Deer Isle’s successful track record includes having raised over \$5 billion in private placement capital since our founding in 2007.



**Appendix**

**Financials:  
Track Record, Projections, Assumptions**

**Best Practices**

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<p style="text-align: center;"><b>TRACK RECORD</b> <u>Audited (If Possible)</u></p>	<p style="text-align: center;"><b>PROJECTIONS / PRO FORMA</b> <u>Provide Concrete Supported Data</u></p>
<p><b>Types:</b></p> <ul style="list-style-type: none"> <li>○ Income Statement / Cash Flows / ETC</li> <li>○ Balance Sheet</li> <li>○ Realized / Unrealized Returns</li> <li>○ Change in Net Asset Value</li> <li>○ Internal Rate of Return</li> <li>○ Multiple of Invested Capital</li> </ul> <p>Third Party Validation of track record is gold standard</p> <p>Assumption is that future returns will be somewhat like past returns UNLESS:              VERY GOOD reason to believe otherwise (ie: defined catalyst)</p> <p>Ability to do attribution analysis enhances credibility</p> <ul style="list-style-type: none"> <li>○ Value drivers of investment proposition</li> </ul> <p>Investors are searching for attractive risk adjusted returns so volatility of returns is as important as returns.</p>	<p><b>Types:</b></p> <ul style="list-style-type: none"> <li>○ Income Statement / Cash Flows / ETC</li> <li>○ Balance Sheet</li> <li>○ Realized / Unrealized Returns</li> <li>○ Change in Net Asset Value</li> <li>○ Internal Rate of Return</li> <li>○ Multiple of Invested Capital</li> </ul> <p>Assumptions need to be well supported and seem reasonable</p> <p>More detailed supporting information, more believable the results</p> <p>Projections based upon growing Track Record often more believable than those based upon new businesses</p> <p>Projections for a growing or new business needs to create tangible path to returns to create believability - use relevant common metrics:              Use Peer analysis / Market studies / Pipeline / Agreements / Case studies / ETC</p> <p>Return volatility is critical to investor decision and return expectations.</p> <p>Model needs to be easy to understand and able to do scenario analysis:</p> <ul style="list-style-type: none"> <li>○ All assumptions in one place in model so easy to see and change</li> <li>○ Model is dynamic so all output is based upon assumptions (ie: no “hard coded”) numbers in model</li> <li>○ Conclusions (ie: simplified income statement/balance sheet/etc) located in one place so easy to see / interpret</li> </ul>

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<p style="text-align: center;"><b>ASSUMPTIONS</b> <b><u>Concrete and Tangible</u></b></p>	<p style="text-align: center;"><b>REGULATORY AND LEGAL</b> <b><u>Regulatory &amp; Legal Requirements</u></b></p>
<p>Historical results are good but an investor really wants to understand future potential results</p> <p>Future results / returns are based upon assumptions</p> <p>Critical to make assumptions as concrete and tangible as possible in order to enhance credibility and investor believability</p> <p>Assumptions can be supported by various methods including:</p> <ul style="list-style-type: none"> <li>○ Historical Information</li> <li>○ Pipeline - More supported (ie: Agreements) higher believability</li> <li>○ Case studies add depth and breadth to supporting information by highlighting specific examples</li> <li>○ Market Information - Closer projections aligns with market analysis, higher investor believability</li> <li>○ Peer Analysis - Peer analysis provides important valuation and business model validation information.</li> </ul>	<p>Important to follow regulation and legal requirements when showing Financials.</p> <p>Disclaimers are a must</p> <p>All numbers should be fully footnoted with source and date (when relevant)</p> <p>Consult your lawyer for legal or regulatory advice / this information is not legal or regulatory advice.</p>

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