



**DATA
VETO**

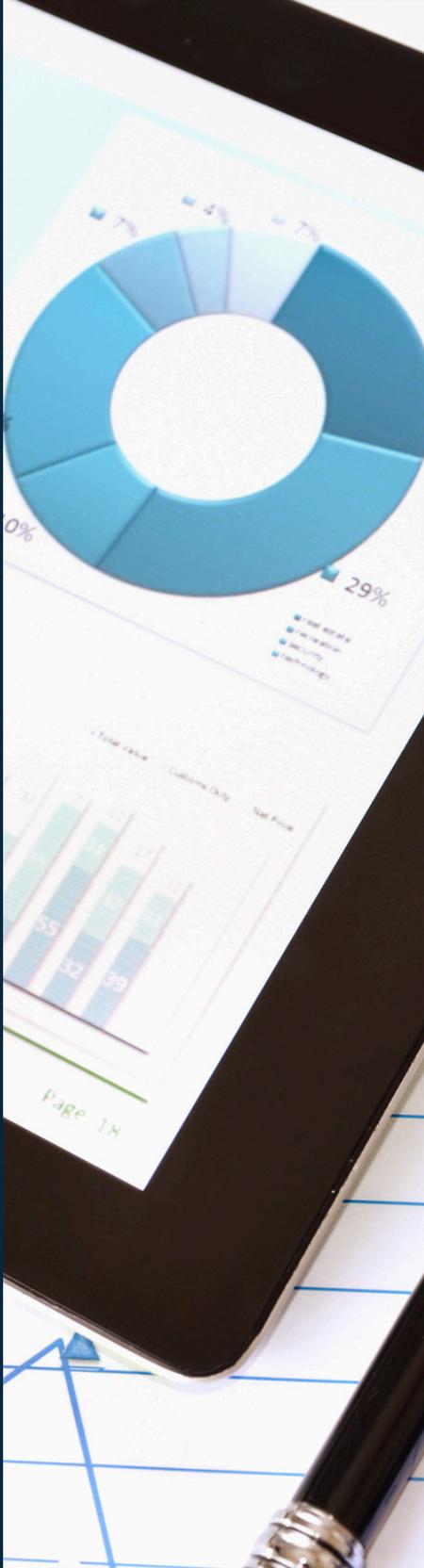


TIPS TO IMPROVE FINANCIAL REPORTING

**Financial reporting as a management
tool for growth companies**



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FINANCIAL REPORTING FOR GROWTH COMPANIES

Comprehensive financial reporting tracks business development, compares it to set targets and prior periods, and depicts its forecasted development. Well-built financial reporting also lets you know what is causing a change in the business.

When done right, financial reporting is a critical tool to manage a growth-oriented company. With it you can effectively control and direct your business, and report about its development to the board and investors in a comprehensible manner.



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This mini guide is intended for growth companies in different growth phases, and the practical tips are based on years' worth of experience in financial reporting and the challenges related to it.



START BUILDING YOUR MANAGEMENT REPORTING

Profit and loss (P&L) statements generated by bookkeeping alone offer little help when it comes to managing a company.

Instead, a growth-oriented company needs management reporting which gathers financial data to a more comprehensive and easily comparable form, while presenting the most relevant indicators related to the business.



If your company doesn't do management reporting yet, start your financial reporting development from building that.

If your company doesn't do management reporting yet, start your financial reporting development project from building that. Your accounting firm or a CFO-service provider will offer you help in this, if needed. However, make sure that they can offer you a service that supports growth company -specific needs.



COMPARE BUSINESS DEVELOPMENT

Simply following the numbers in the reporting month doesn't really paint a clear picture of your company's development. Instead, you can follow it more comprehensively by attaching the year-to-date (YTD) cumulative numbers together with the forecasts to create the full year forecast, which you then compare to your target (budget), and similar periods in prior years.

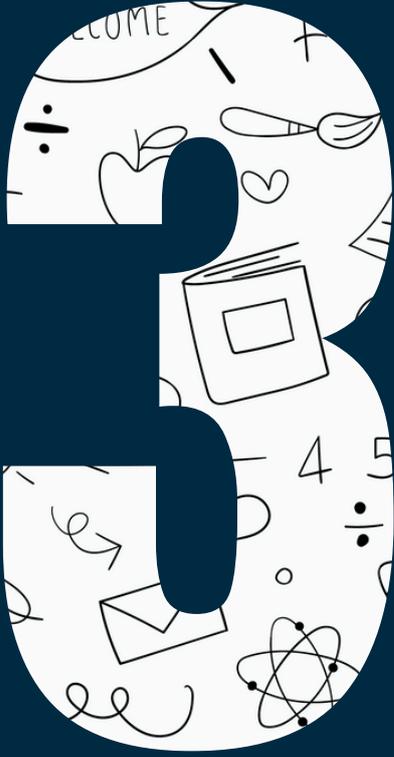
When comparing the full year figures, you can also use the last 12 months (LTM) development. This provides you guidance on business development since the previous financial year.



MGMT Reports	Apr-23	Apr-23	Apr-22	YTD	YTD	YTD	2023	2023
Apr-23	Actual	Target	-1 Year	Actual	Target	-1 Year	Target	Forecast
SaaS	485,9	508,9	330,5	1 857,3	1 954,0	1 244,4	6 578,7	6 493,5
PS	137,4	125,0	87,7	643,6	500,0	330,4	1 500,0	1 643,6
Revenue	623,3	633,9	418,2	2 500,9	2 454,0	1 574,8	8 078,7	8 137,2
COGS	33,5	48,4	35,1	143,2	204,6	135,5	535,6	186,9
GP	589,8	585,5	383,1	2 357,7	2 249,4	1 439,3	7 543,1	7 663,8
Gross profit (%)	94,6 %	92,4 %	91,6 %	94,3 %	91,7 %	91,4 %	93,4 %	94,2 %
G&A	91,5	92,3	87,1	426,7	285,2	248,8	1 000,1	1 210,7
Sales	55,9	79,6	57,6	236,0	267,5	150,9	963,4	866,9
Marketing	11,1	14,7	4,2	84,6	84,7	20,1	269,2	229,8
Services	57,8	58,4	38,3	256,7	208,1	146,0	701,2	758,2
Service Desk	26,8	21,5	3,8	91,6	70,8	76,9	254,5	274,7
R&D	180,0	166,4	96,7	647,7	526,5	390,7	1 933,7	2 024,1
OPEX	-423,3	-432,8	-287,7	-1 743,3	-1 442,9	-1 033,4	-5 122,1	-5 364,5
EBITDA	166,6	152,8	95,4	614,5	806,5	405,9	2 421,0	2 299,3
EBITDA (%)	26,7 %	24,1 %	22,8 %	24,6 %	32,9 %	25,8 %	30,0 %	28,3 %

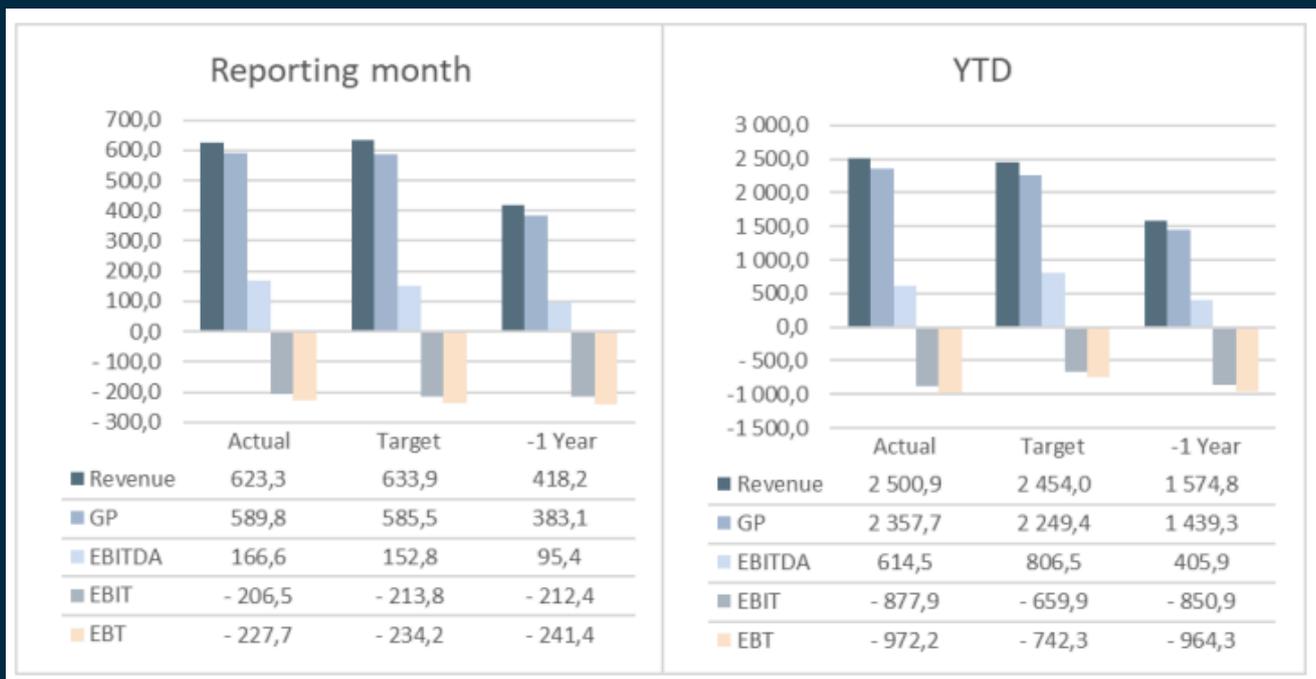
Picture: Comparing the numbers of different periods in management reporting

By comparing the numbers of different periods you can monitor and control your business quite comprehensively.



VISUALIZE THE DATA

Reporting often results in heavy and hard-to-read tables, making it challenging to identify the key points. That's why it's important to create clear and easy-to-read graphs from the data, which make it easier to spot changes and deviations.



picture: a general view in a visualized form



Data visualization is especially important in board reporting

Data visualization is especially important in board reporting, as it may be difficult for board members to monitor the development of the business solely on the basis of material given by management. In these cases the board meetings get stuck on trying to understand the data, wasting precious time.



INCLUDE FORECASTS IN REPORTING

Forecasting is a critical part of financial reporting, but it often takes the backseat because it's perceived as difficult and time-consuming to implement. Nevertheless, growth companies should consider forecasting as a continuing process right from the start.



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If your company is not actively forecasting yet, start it by including your monthly best estimate of business performance in your financial report. This way you'll get to dip your toe in forecasting and get better at evaluating if the set goals are achievable. Additionally, you'll gain insights into expense tracking and can make timely adjustments on the cost side before hitting a cash flow crisis.

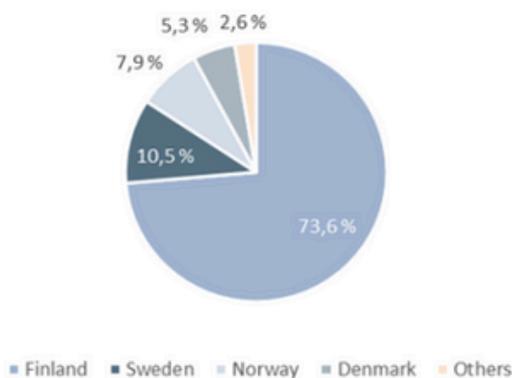
Begin developing a proper forecasting process as soon as possible. By adding forecasts to your reporting, you'll also be able to create rolling cash flow forecasts, with which you can actively monitor the sufficiency of your cash reserves.

CATEGORIZE YOUR CUSTOMERS INTO GROUPS

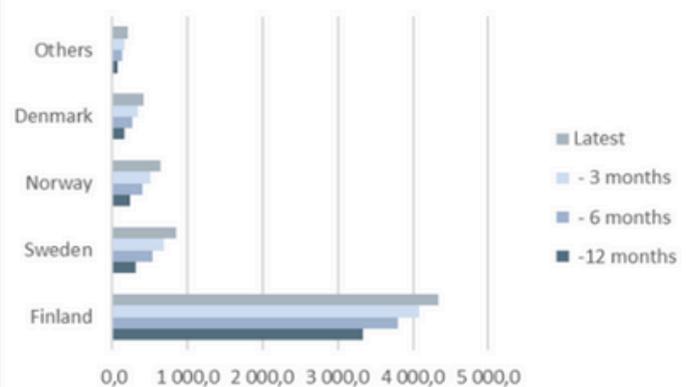
Customer segmentation - which refers to grouping customers into different categories - opens up entirely new dimensions for financial reporting. Customers can be group, for example, based on:

- company size (e.g. small, medium, large)
- location (city/country)
- products/services used

Revenue by countries (LTM)



Change in revenue by countries (EUR)



Picture: The division of revenue by country, and development over time



Segmentation enables significantly broader analyses

Segmentation enables significantly broader analyses. By analyzing data over a longer period of time, you can track which group is growing and which is declining.

Customer segmentation is also beneficial when it comes to preparing for future funding rounds or business acquisitions. In such instances, the counterpart typically wants to see customer trends and profitability group by group.



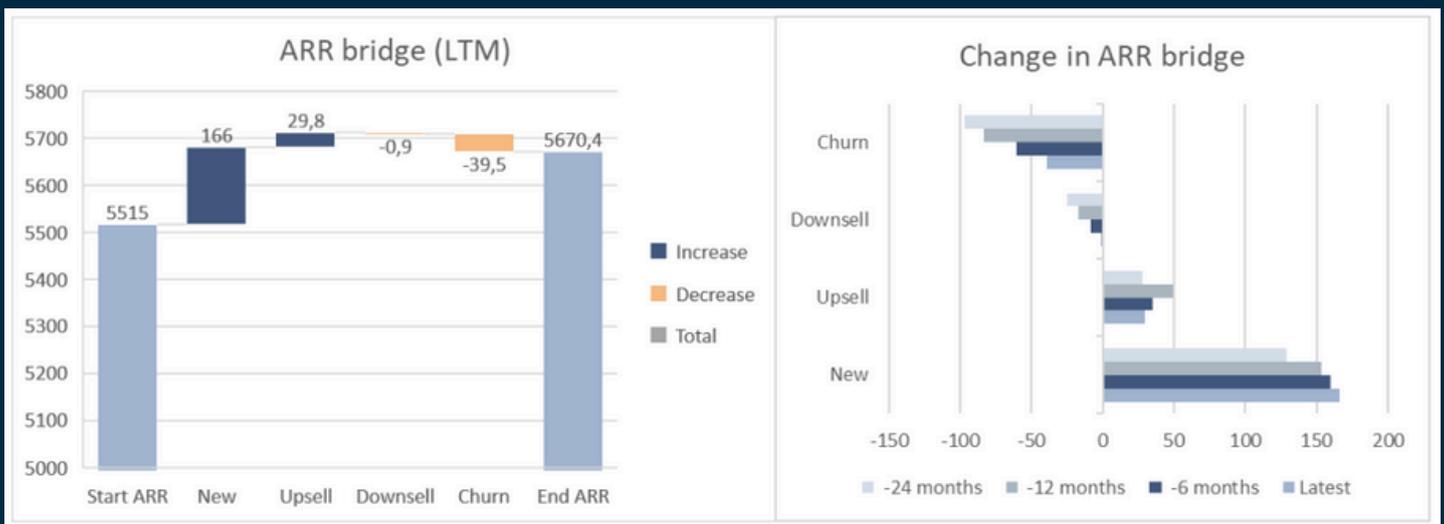
UNDERSTAND WHAT CAUSES THE CHANGE

Basic financial reporting shows whether business performance/development aligns with expectations and set goals: whether sales growth is meeting budgeted levels, and whether expenses are under control.

For many companies, this is a sufficient level of reporting. When it comes to growth-oriented companies, **this is not enough**, and financial reporting needs to also explain the causes behind change and how they've evolved over time.



Financial reporting needs to also explain the causes behind change and how they've evolved over time.



Picture: Development of the recurring revenue over the time

By making use of customer segments, you can build reports that show from which group and location growth stems from, helping you know where to target your marketing and sales efforts.



MAINTAIN A FINANCIAL DECK

As a growth entrepreneur, you might be surprised how often you find yourself in situations where you need a comprehensive summary of your company's business performance and development. Preparing, editing and updating such a presentation takes both time and money, while diverting your focus from more important matters (like running your business).



By integrating deck updates into your financial reporting process, it will always be up-to-date, whenever you may need it.

This is why you need a financial deck that provides an overview of your business beyond management reporting, usually covering a 3-5 year period.

Once you've built a comprehensive deck, the information needed to update it can be found from financial reports. By integrating deck updates into your financial reporting process, it will always be up-to-date, whenever and wherever you may need it.



DATA-DRIVEN FINANCIAL MANAGEMENT FOR GROWTH COMPANIES

Dataveto is a service provider specialized in developing financial management for startups and growth companies.

In addition to accounting services, we build and maintain comprehensive financial reporting for our clients and develop business forecasting processes at a fixed monthly price. We also support companies in various stages of M&A – processes.

Dataveto was founded in 2022, but our team has decades' worth of experience in tackling the financial challenges of growth companies. We always take a deep dive into our client's business, provide hands-on, practical and concrete services, and are fluent in both SaaS and entrepreneur.

Schedule a meeting! Visit www.dataveto.fi to book a meeting with us. Together, we'll assess your company's situation and identify potential areas for development and prioritizations.