

## Challenge 2 – Next Year’s Annual Report to Investors

**Challenge 2 Focus:**

* Write up today the best year-end results you can accomplish on your venture *as if it is already next year* and you’ve achieved great success.

## What you get by completing Challenge 2:

* Clear and doable-with-a-stretch year-end progress targets in (1) market and customer, (2) team and (3) product development that increase the value of your venture.
* Abilities to define and share your venture progress and needs in result terms that investors value and use to invest their support.

## Resources included with Challenge 2:

1. How *Best Year End Results* Help Investors and Founders Create Value
2. Five Tips for Drafting Next Year’s Annual Report Today
3. Example: Three Sample Annual Reports

## Challenge Guidelines:

1. Write your Report to your investor audience as if they had already invested in your venture this year and are equally sharing in your success – they’re who you’re trying to impress and get excited;
2. Use the *past tense* in writing your report – as if you’re speaking from January of next year and looking back on what has already successfully happened this year (e.g. *we achieved..., we made..., we created..., we hired.... etc*.);
3. Share your venture’s *highest priority success first* – whether in product, in customer and market, or in team achievements – and be sure to offer physical evidence that proves your success. Refine all evidence into clear, measurable and objectively observable examples;
4. Be concise and clear by keeping the Report to one page – do not use acronyms, jargon or anything else your mom and investors won’t understand, especially if your mom is already an investor. Bullets and/or numbered paragraphs will work fine; and,
5. Keep your report to just one page – again, condense your most important successes into only one page (see Guideline #4).

## Challenge 2 – Resource A.

**How *Best Year End Results* Help Investors and Founders Create Value**

Investors want to understand what your venture’s likely **future results** are today. You *can* tell investors exactly what your venture’s *best year end results* will be – *and do it with the credibility of clear evidence that’s achievable*.

*The easiest way to improve probabilities for better future results is to invent them today.*

Put your intended results in writing. Writing down future results is a habit that high- achieving founders use to improve their success. Start with targets as your expected *best year end results* in three key areas investors value most:

* **Product** – what you make that has benefits people value and are willing to pay for
* **Customers & Market** – individuals in significantly sized market segments with purchasing power willing and able to buy your product to gain the benefits you intend
* **Team** – the talented individuals in your venture needed to develop and deliver your product, grow customers and scale operations to dominate markets

Use your Challenge 1 *Venture Stage Self-Assessment Worksheet* (Resource C) to set targets with evidence of success investors want to support. Measurable evidence that can be quickly shared and easily understood (i.e. evidence your mom would understand). If you still don’t have a clue on what your *best year end results* could be, or how to reveal growing value in your venture progress, then start by answering the following questions:

1. What product development will you complete?
2. How many customers and/or market segments will you target and/or engage with your product – how will this lead to revenue or valuation growth?
3. Who on your team will drive your progress as needed – will you need to add more talent in order to make year-end results happen on time?

As you refine your *best year end results* into clear and measurable evidence make sure they’re significant. Investors will focus on *your most compelling achievements in terms of how well those results grow value*. As you build positive expectations focused on clearly observable progress of significant results over time you will better motivate investors to write checks to your venture:

*Successful investors don’t care about supporting best efforts or current activities – only the* ***best year end results*** *that grow value as time goes by.*

Draft your *best year end results* that grow value today – as if they’ve already happened: there is no greater success investors can help founders create than calling out shots at valuable achievements first ...and then hitting them.

## Challenge 2 – Resource B.

**Five Tips for Drafting Next Year’s Annual Report Today Tip 1. Be Upbeat and Give Investors Credit**

It’s important to target positive success. Investors want to know how their resources drive positive results – especially for any desired investment you hope to gain in the months ahead before year end. Show them how added investments drove your *best year-end results* – give them clear and compelling evidence for their investment to support.

## Tip 2. Make Evidence Observable, Measurable and Verifiable

Distill and refine any vague goals you might desire into self-evident, best year-end targets – don’t make investors struggle to understand what you achieved and why it’s valuable. For example, refine this cheery, positive statement...

*We achieved progress with our customers and grew sales a lot by year end...*

...into this clearly measurable and verifiable evidence:

*Customer sales doubled, from $20,000 per month to $40,000 per month, in October...*

All accomplishments you intend to share as driving greater value must be refined into evidence that anybody could quickly understand and measurably confirm.

## Tip 3. Create Your Preferred Future by Valuable Results

Target only significant achievements that increase your venture value. Avoid sharing ongoing efforts or activities (they are costs), but do show result dependencies across all areas, for example: if you don’t currently have money to make product progress, then identify how much money you needed and raised, or what you bootstrapped, as one of your significant achievements that then drove product development results.

## Tip 4. Highest Value Results First

If product development is your number one priority by the end of this year, lead off with product development results first. As you show how other results (e.g. like above money raised/bootstrap example) drove that progress, be sure to always include customer and market developments that improve revenue potentials. Leave out all insignificant evidence (see the *Sample Draft Reports* for examples).

## Tip 5. Close with Vision on Scalability and/or Expected Revenue Growth

Offer future intentions of building on your best year-end results, e.g. share a glimpse of what can be achieved over the next year that becomes possible by what you accomplished this year. Don’t forget to align those intentions with driving revenue growth...if you want to keep investors interested.

December 31, 2018 Dear Investor:

# Annual Report to Investors

Part Thyme, Inc. [www.partthyme.com](http://www.partthyme.com/)

We’re excited to share that Part Thyme, Inc. has now successfully matched skilled worker talent to restaurant and hospitality employer needs across several Texas urban markets during 2018. Our part-time workers (Part Thymers) found enough added work to boost their annual earnings by 10% on average and local businesses gained enough talent on demand to similarly increase their net earnings. Here are the progress highlights achieved in our product, customer & market and team developments that made 2018 a great success:

**Produ** • In **April** we successfully **completed our web-app ver 1.0** (a two-sided marketplace

**ct**

**progress w/ evidence**

and rating system that connects skilled workers with industry employers). We

**deployed with 99% uptime** in San Antonio and quickly engaged, retained and converted new users into paying customers.

* + Our tight initial market focus on San Antonio restaurant and hospitality workers and

**Customer &**

**Market progress**

**...w/ evidence**

businesses helped us create a referral user community. Referrals accelerated our customer conversion growth, valued feedback and also validated our monetization strategy of customer acquisition costs averaging $0.33 each. We profitably gained over **200 Part Thymers** and **50 businesses** as paying customers during our first month of operations alone.

* + Being local in San Antonio influenced our winning the SA TechFuel **$30k prize** in **May**. We invested that money into continued growth of our San Antonio customer base and **successfully launched** core user communities in three other Texas urban hospitality markets (**Houston, Dallas and Austin**) by **October**.
	+ Our team **hired a full-time sales** and customer support person in **June**. This team

**Team**

**progress w/ evidence**

leader exceeded our month over month growth targets – gaining from **200 to 1,600 Part Thymers and from 50 to 400 businesses** – with user conversions driving month over month customer revenue growth from **$5,000 to $50k** per month by year end. The team also demonstrated consistent performance in each new market.

We expect free cash flow and team growth to continue as we target new user communities in several geographic markets beyond Texas next year, beginning with New Orleans and Las Vegas. Part Thyme’s priority continues to be month over month revenue growth and we anticipate reaching $200k in monthly revenues by June 2018.

Many thanks for your continued support, Part Thyme, Inc.

# Annual Report to Investors

as of December 31, 2018 Dear Investors,

Bea Love Yoga continued to make significant progress in customer and market development during 2018, thanks to your ongoing support. Our highlighted achievements included:

**Customer &**• We expanded our reach into an estimated serviceable market of **800,000 pregnant**

**Market progress**

**...w/ evidence**

**mommas** (from over 4 million nationally) and over **1,500 new customers** bought

our video instruction yoga series for pregnant mommas **($48.00)**. Roughly **1,200** stress-relief seekers also purchased our 21 Day guided meditation audioseries **($18.99)**. Annual gross sales from all products were over **$100,000** for the first time!

* + - We drove sales success by establishing a **new Amazon marketplace account** in **March.** Favorable product reviews combined with our **social media campaign** in **May** tripled month over month click-through traffic, driving customer purchase conversions to 30% on bealoveyoga.com.

**Team**• Our team expense for this annual revenue growth cost only **$10,000** (for our social

**progress w/ evidence**

media campaign and marketing contract) for a 10x return on cash invested – all

accomplished without adding a full-time hire.

* + - In product development we completed a new e-book **30 Day Yoga Primer ($7.99)**

**Product**

**progress w/ evidence**

and made beta test sales in **October**, with a scheduled full campaign launch on Amazon intended for January 2018.

In 2018 we intend to bring at least one new video and audio product to market, add a full-time marketing and sales person to our team and target month over month sales growth across all product lines. Our ongoing focus will continue to be accelerating sales in order to break $200k in annual revenues by the end of 2018.

Blessings and thank you for your continued support. Namaste,

Brandy Arena, Founder

Bea Love Yoga, LLC [www.bealoveyoga.com](http://www.bealoveyoga.com/)

December 31, 2018

Quickmit, Inc. [www.quickmit.net](http://www.quickmit.net/)

Dear Investor:

# Annual Report to Investors

Quickmit has successfully achieved great progress in serving K – 12 independent schools. The year began with only two customers and a beta product test, but by year- end we had greatly improved product functionality, increased our market reach and added new customers at increased pricing on unit sales. Here are the highlights of Quickmit product, customer & market, and team developments that made 2018 a great success:

**Produc**  In March we **deployed** Quickmit’s **third major feature-set** (a fully-automated

**t**

**progress w/ evidence**

tuition management module) and completed over **30 new features** requested by

our beta partnership customers (four lighthouse schools).

* Quickmit’s new module increased customer revenues from **$50/student to $360/**

**Customer &**

**Market progress**

**...w/ evidence**

**student per year**. We also expanded existing customer participation to **over 250 students** and engaged **8 new schools** by working through Education Transformation Alliance and American Montessori Association. We finished the year with **400 students and 12 schools**.

* In May Quickmit raised a total of **$250k** (via a combination of contest winnings,

**Team progress w/ evidence**

convertible debt and grants) and used these funds to hire two product support staff in Costa Rica (who accelerated customer deployments) and hired two engineers with an administrator/trainer (who quickly on-boarded schools and trained new customer administrators). Team developments reduced our average customer conversion time to revenue from **8 weeks to 2 weeks** and accelerated our top-line revenue growth.

Our priority for next year is bringing in at least 12 new school customers through industry channel partnerships (e.g. Montessori) in order to reach $100k in monthly revenues by September 2018.

Thanks for your continued involvement! Joshua DeFord & the Quickmit Team [www.quickmit.net](http://www.quickmit.net/)