



## CASE STUDY: CAPITAL RAISE ADVISORY SERVICES

FINANCIAL REPORTING AND SYSTEMS ▶ FINANCIAL BUDGETING AND FORECASTING  
▶ CAPITAL RAISE SUPPORT FOR CEO AND BOARD ▶ CASH FLOW MODELING  
▶ CEO SUPPORT FOR BOARD AND INVESTOR MEETINGS

### CLIENT:

#### SaleScout

- Multi-million-dollar B2B data solutions company with Series A financing, founded in 2014.
- CEO and Board required fractional CFO services to support ongoing capital raises, maintaining accurate financial information and budgeting and forecasting support.

### SITUATION:

VertexCFO was hired by the founder of SaleScout Data Solutions as they were experiencing cash flow challenges and needed their financial systems reconfigured to provide accurate financial information to the Board and potential investors. SaleScout lacked a sophisticated budget and forecasting tool to assist with cash flow management and for investor presentations. VertexCFO restructured the financial information to accurately present GAAP financial statements to the Board so they had accurate information and cash flows. The Board and current investors funded bridge loans and VertexCFO developed a long-term financial forecast for their Series A financing round. The CEO and Board were successful in raising their Series A round for \$2.5M.

As a result of the Series A funding the Board hired a seasoned CEO, Chris Lynde, to continue the founder's vision and apply his broad experience as CEO of start-ups, early-stage growth companies, and public companies to SaleScout. When Lynde started, he was concerned there was no CFO on staff. In his previous roles, he relied on having "a CFO in the room next door" to bounce ideas off of and confide in. He'd never used a fractional CFO and wondered about availability and responsiveness.

Lynde felt he needed to change the cost structure: head count, business model, product line, and the go-to-market strategy. He needed to retool the financial model to fit his new vision, to scale the business.

VertexCFO's Brian Medley had assisted the company through Series A funding, providing analysis and Board materials.

Lynde explained, I know you must defend, drill down and understand the numbers, and that VertexCFO's work was instrumental on getting the A round funding.

“VertexCFO was involved from the start and helped me get my arms around the financial model and the nuances of the business. They were available anytime I needed them — no different than having a CFO in the office next door.”

“I would tell another company considering VertexCFO to 'just do it.' Fortunately for me, I did give them a chance.”

“You aren't going to be successfully raising capital unless you have a strong CFO who can prepare the P&L, balance sheet, and cash flow statements.”

– CHRIS LYNDE, CEO,  
SALESCOUT

## SOLUTION:

"I was originally apprehensive about using a fractional CFO. I thought I'd see how it went after a few months. I assumed I'd have a lot of personnel rebuilding to do," said Lynde.

He decided to give a VertexCFO a try, and is happy he did. "Brian was involved from the start and helped me get my arms around the financial model and the nuances of the business. He was available anytime I needed him — no different than having a CFO in the office next door."

"He helped me understand the composition of the Board when I started, and understand their nuances with their financial needs. We gained mutual trust quickly."

They started by drilling into the financial model to understand the underlying assumptions driving it and where they came from. Therein lay some of the problems. Brian helped the CEO gather the assumptions from everyone and helped him challenge the assumptions: what makes for a valid business model, a lot of underlying growth rates, churn, revenue growth, etc.

"I think you get more objectivity because there aren't any internal politics. This is a 'paid consultant,' and there isn't a boss-subordinate relationship. You can be really candid with each other."

## RESULTS:

VertexCFO assumed oversight of payroll processing, bookkeeping support, month-end financial reporting, cash flow analysis and budgeting/forecasting. They have oversight on day-to-day transactions such as billing, collections, payroll, and disbursements. Cash flow drives just about everything. He helped with tax prep and works with the accounting department.

VertexCFO assisted in finding tax services and was successful leveraging the R&D tax credits. The result was approximately \$50K in R&D tax credits, which were used to offset the company's federal payroll withholding tax.

Lynde had a lot to learn, including the nuances of the data subscription services industry. Initially, the financial models were built on one product. Over time VertexCFO developed models for 7 products, all at different price points. This helped Lynde retool the financial model to scale the business. Lynde says, "The business is evolving very quickly and requires a lot of retooling."

VertexCFO also prepares the monthly budget and modeling for the CEO review and then the Board review. Vertex CFO is available on Board calls for backup and to answer questions if necessary.

"Brian is excellent at preparing a CEO and helping him or her feel confident with the numbers, anticipate questions the Board or investors will ask, and be available as a resource when necessary."

"I view Brian as a man of integrity. He's responsive, honest, thoughtful, hard-working, genuinely concerned about the best interest of the business. He shows a strong desire to be helpful, not just because he's on the clock. He's knowledgeable and a confidant to me as a CEO. He's the only guy I'd turn to."

Lynde explains, "I would have no problem having Brian in my corner to answer any questions I couldn't. A lot of entrepreneurs have a good vision, but they also need a good feel for the numbers or they will get burned in Board meetings. Brian's role is to prepare those people and get the CEO intimately familiar with the numbers."

"I don't see a downside in using a fractional CFO and Controller service, assuming you develop trust and they really understand your business model. It's cost-effective and a great solution for smaller organizations."

"I wouldn't hesitate to bring Brian into any investor meeting, ever. I trust him emphatically. He would bring a vote of confidence to any company."

"Accountants aren't always the people you'd put in front of customers or investors. Brian does not hold an all-or-nothing stance and is personable and likeable. I need to have a relationship with a guy to trust him with the keys to the kingdom."

"Data accuracy is critical for VertexCFO. They are as fanatical about the data accuracy as we are."

**— CHRIS LYNDE, CEO,  
SALESCOUT**



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