



# Cash Flow Is King (truer now than ever)



- #1 priority for funded companies is to maintain sufficient cash flow to weather economic crises
- Goal: Extend funding runway through cost reduction
  - Minimize or delay major CapEx
  - Curtail or scale back new hires
  - Potentially trim company workforce
  - Assume NET Q4 2020 before closing new funding
  - Re-plan financial runway and milestones
- Example: Astra
  - Furloughed or terminated 30 of 150 employees, reduced working hours and other measures to extend their runway until Q1 2021
    - Buys time for orbital launch attempt and negotiate new investment
- Bad Example: OneWeb
  - High CapEx due to ongoing constellation deployment but little incoming revenue
  - Dependent on “the next round” for continued cash flow
  - Declared bankruptcy when investment fell through in large part due to COVID-19




# Where Are The Investors?



- Capital markets have seized up
- Large institutional investors (e.g. SoftBnk, Sequioa) are protecting existing portfolios instead of chasing new opportunities
- Investment options
  - Founders have an obligation to first use their own assets for internal investment
  - One approach is to seek risk-tolerant angel investors with passion for the technology
    - They are hard to find
  - If a startup has significant assets and cash on hand, debt financing is possible
    - Not usually practical for early-stage and pre-revenue startups
- Special programs exist from the Small Business Administration, state governments and (currently) emergency COVID-19 stimulus
- U.S. Government contracting opportunities exist although timelines may be extended
- **Do Your Research. Don't just give up as though the world has ended!**



# My Business Plan Is Now Fish Wrap

- Business Plan milestones and budget projections for 2020/21 may be invalid
  - The same holds true for labor and technical projections
  - It is past time to update Business Plans, Pitch Decks and other material
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- Formulate and be able to articulate an effective mitigation strategy to deal with a crisis
    - Don't make excuses. As a founder, one's job is to successfully deal with both adverse as well as positive events
  - Do not give the impression that you're dead in the water merely bleeding cash



# Employee Needs Come First

- Hire if you can, trim if you must
- Founders should cut or eliminate their own salaries and benefits first
- It may be best for an employee's welfare to be laid off
  - Collect unemployment benefits
  - Health insurance
  - Free them up to look for employment elsewhere
- There may be significant work that can be performed at home
  - Software development / IT
  - Proposal writing
  - Design, simulation and other computer-centric work
- Leverage interns
  - Lower-cost option compared to full-time employees
  - Often their work quality is at the same level as full-timers
  - They are the most passionate workers
  - Working from home is sometimes more desirable (cheaper) for them regardless of circumstances

# Planning For Future Growth



- Continue technical and engineering work in whatever areas possible
  - Example by implementing remote work policies
- Proactively plan NOW for what you will do when a crisis passes
- Nurture partnerships and joint ventures with other companies to position everyone to work through a crisis and beyond
- Customer acquisition will be difficult in the near-term
  - Pursue Letters of Intent and MOU's, not cash at this time
  - Position the company to convert LOI's into sales as soon as the environment allows
  - Do not be dependent on continued revenue from customers when some will not survive
- BUILD RELATIONSHIPS



# Thank You!

If you have any questions, please feel free to contact me at:

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