

BLACKTECHSTARTUP EDUCATION

Burn, Runway & the 18–24 Month Startup Forecast

Convert current cash, hiring, revenue, collections and spending assumptions into a driver-based forecast that shows when the company runs out of money—and what management will do before then.

“We have about a year of runway” is not a forecast. Runway changes when hiring slips, collections slow, annual contracts prepay, cloud costs rise or a fundraising process takes longer than expected. SEC readiness guidance specifically tells founders to calculate runway based on projected expenses. The operational standard is stronger: forecast the monthly cash balance from explicit business drivers and pre-decide what changes when the downside case arrives.

Know what weak and strong look like

READINESS AREA	WEAK / DILIGENCE RISK	STRONG / INVESTOR-READY
Burn	Uses average card/bank outflow with no definition.	Gross burn and net burn are defined, reconciled to financials and trended monthly.
Runway	Cash ÷ last month burn, with no working-capital timing.	Monthly cash forecast includes collections, payables, payroll dates, debt and one-time spend.
Revenue	Straight-line growth percentage typed into a spreadsheet.	Revenue is driven by leads, conversion, price, seats/usage, churn, implementation timing or contracted backlog.
Hiring	Headcount appears as annual totals.	Each role has start month, loaded cost, recruiting delay and contingency decision.
Downside	No downside until cash is already low.	Downside case has trigger thresholds and pre-approved cuts/deferrals.

Separate gross burn from net burn

Gross burn measures operating cash outflow; net burn is cash outflow minus cash inflow for the period. Use a consistent definition and reconcile it to the cash-flow statement. Do not mix accrual expenses with cash burn without a bridge.

Forecast from operational drivers

For SaaS, model new customers $\times$ average contract value, renewals, churn and collection timing. For hardware, model units, deposit schedule, inventory purchases and supplier terms. For enterprise, model signed contracts separately from probability-weighted pipeline.

Build three cases with management actions

Base case is the plan you are staffed to execute. Downside should be plausible, not apocalyptic: slower sales, later hiring productivity, lower renewal, delayed pilot or higher costs. Add a severe liquidity case if one customer or financing source is critical.

Put financing lead time inside the model

The relevant date is not “cash hits zero.” It is the latest date you can start fundraising while still having enough runway to negotiate and survive delays. Set a minimum cash floor and a fundraising-start trigger months before it.

Reforecast monthly

Roll actuals into the model, explain variance, and replace assumptions only when new evidence justifies it. A forecast is a decision system, not a prediction contest.

Run the diligence stress test before investors do

Do not rehearse an answer. Rehearse the evidence. Give yourself a short diligence window and try to produce the underlying records without rebuilding the story from memory. A clean result is reproducible, tied to a source system or signed document, and consistent with the numbers elsewhere in the company.

➔ **Burn:** Put the underlying records on screen and prove this standard: Gross burn and net burn are defined, reconciled to financials and trended monthly. If the evidence still looks like this

weak state—Uses average card/bank outflow with no definition.—record the gap, name an owner and give it a due date instead of explaining it away.

→ **Runway:** Put the underlying records on screen and prove this standard: Monthly cash forecast includes collections, payables, payroll dates, debt and one-time spend. If the evidence still looks like this weak state—Cash ÷ last month burn, with no working-capital timing.—record the gap, name an owner and give it a due date instead of explaining it away.

→ **Revenue:** Put the underlying records on screen and prove this standard: Revenue is driven by leads, conversion, price, seats/usage, churn, implementation timing or contracted backlog. If the evidence still looks like this weak state—Straight-line growth percentage typed into a spreadsheet.—record the gap, name an owner and give it a due date instead of explaining it away.

→ **Hiring:** Put the underlying records on screen and prove this standard: Each role has start month, loaded cost, recruiting delay and contingency decision. If the evidence still looks like this weak state—Headcount appears as annual totals.—record the gap, name an owner and give it a due date instead of explaining it away.

→ **Downside:** Put the underlying records on screen and prove this standard: Downside case has trigger thresholds and pre-approved cuts/deferrals. If the evidence still looks like this weak state—No downside until cash is already low.—record the gap, name an owner and give it a due date instead of explaining it away.

Do the math investors will do

Core formulas: Net burn = operating cash outflows – operating cash inflows. Simple runway = unrestricted cash ÷ average monthly net burn, but the driver-based cash schedule is the real answer. Example: \$900,000 cash and \$75,000 average net burn suggests 12 months. If two hires raise burn to \$105,000 in month 3 and a \$180,000 annual contract collects in month 5, the true cash trough will not match the simple 12-month estimate—model it by month.

Build the evidence investors can verify

✓ 24-month monthly cash forecast with base/downside cases

✓ Assumptions sheet with owner, source and last-updated date

✓ Headcount plan with loaded compensation and start month

- ✓ Bookings-to-revenue-to-cash schedule
- ✓ Debt, tax, capex and one-time payment schedule
- ✓ Trigger sheet: fundraising start, hiring freeze, discretionary cuts and minimum cash floor

Questions an investor may ask

- ? What assumption has the largest effect on runway?
- ? When do you start fundraising if the base case holds?
- ? What happens if revenue is 25% below plan for two quarters?
- ? Which hires can move without breaking the milestone plan?
- ? What is your lowest projected cash month and why?

30-day repair sprint

- 1 Days 1–4: reconcile starting cash and last six months of actual burn.
- 2 Days 5–10: replace percentage guesses with operating drivers.
- 3 Days 11–15: add hiring, collections, debt, taxes, capex and one-time cash items.
- 4 Days 16–20: build downside assumptions and management triggers.
- 5 Days 21–30: compare forecast to milestone plan, set fundraising-start date, and assign a monthly reforecast owner.

Research behind this guide

Use the primary and authoritative sources below to verify current rules, market conditions and technical guidance. Terms and regulations can change.

SEC — Ready to Raise CAPITAL



SBA — Write Your Business Plan / Financial Projections



SBA — Manage Your Finances



Federal Reserve Small Business — 2026 Report on Employer Firms



Important: This guide is educational information, not individualized legal, tax, investment, employment, security or compliance advice. For decisions with material legal or financial consequences, use a qualified professional who can review your facts.

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