

eFinancialModels

FINANCIAL MODEL CASE STUDY

Community App Financial Model Case Study

How we developed a sophisticated Financial Model for a Subscription Community App deciding between Bootstrapping and Fundraising

Paid ads can buy growth, but only profitable growth builds a business. The financial model showed the founders whether each new subscriber is worth more than it costs, and how far bootstrapping can take them.

KEY TAKEAWAYS

- Early-stage founders of a lifestyle community app had first revenues and a few hundred paying subscribers, won mostly through paid ads.
- What mattered: customer acquisition cost (CAC) against customer lifetime value (CLV), per plan and cohort by cohort.
- Turning point: growth looked profitable, but CAC had to come down and CLV up first; bootstrapping stayed the preferred route.
- Outcome: a five-year cohort-based model with break-even, scenarios, actual vs. forecast and a rolling forecast.

At a glance

INDUSTRY	Mobile app, subscription-based lifestyle community
CLIENT	Early-stage founders; first revenues, a few hundred paying subscribers
PURPOSE	Clarity on funding need, break-even and growth: bootstrap or raise funding
MODEL SCOPE	Cohort model, five-year forecast, break-even analysis, scenarios, actual vs. forecast, rolling forecast
DELIVERABLES	Financial model and analysis

The situation

The founders had launched a lifestyle community app. It already generated first revenues, had a few hundred paying subscribers and was growing, but it was not yet profitable. Most new users came through paid ads. The founders had only a few months of data and were running blind: how much funding is needed, how many subscribers to break even, is growth profitable, and should they keep bootstrapping or raise money?

Why CAC and CLV decide the outcome

CAC is the advertising and other acquisition spend divided by the number of paying subscribers it brings in. CLV is the revenue a subscriber is expected to generate while they stay, after app store fees. Dividing CLV by CAC shows how many times a subscriber pays back what they cost to win. Below one, every new subscriber adds to the loss. Clearly above one, growth can start to pay for itself and leave room for indirect costs. Each plan, monthly or yearly, has its own ratio, so the model keeps them apart before it adds them together. Both numbers are estimates in a young business, so the model states them as assumptions and updates them as data arrives.

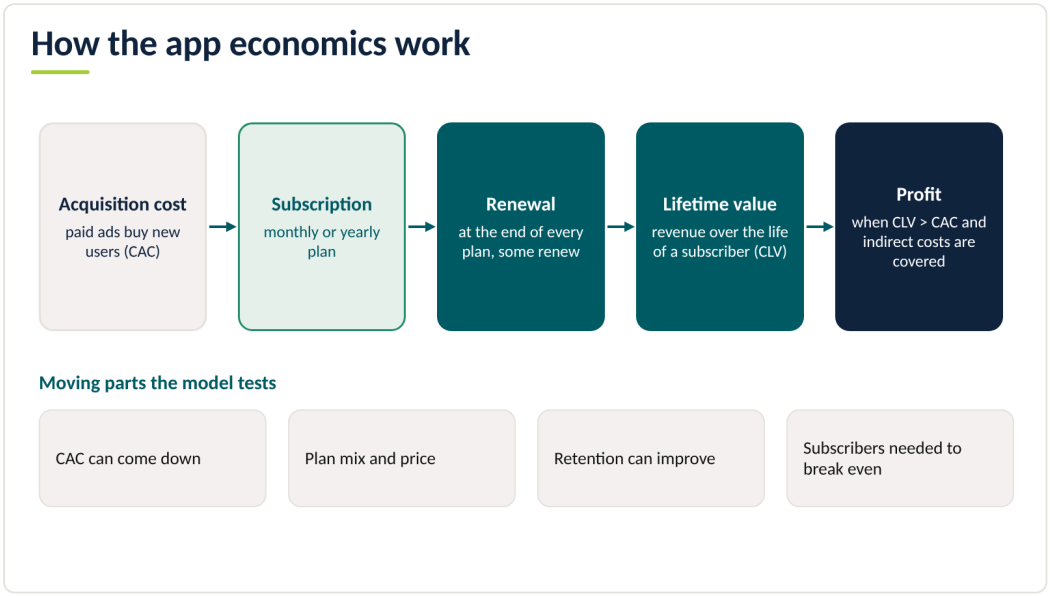
What was at stake: Why the model mattered for the funding decision

Raising money means giving up equity; bootstrapping means growing within your means. Either choice needs the same answers: what a subscriber costs and earns, how many subscribers cover the costs, and how much cash is needed until then. The model put numbers behind the decision before any investor was asked.

How the app economics work, and where the model comes in

A subscription app buys growth up front and earns it back over time. Every part is a moving assumption, especially for a start-up: CAC can come down and CLV can be improved, so the model tests each one. Ideally CLV is clearly bigger than CAC, so the margin also covers the cost of running the app.

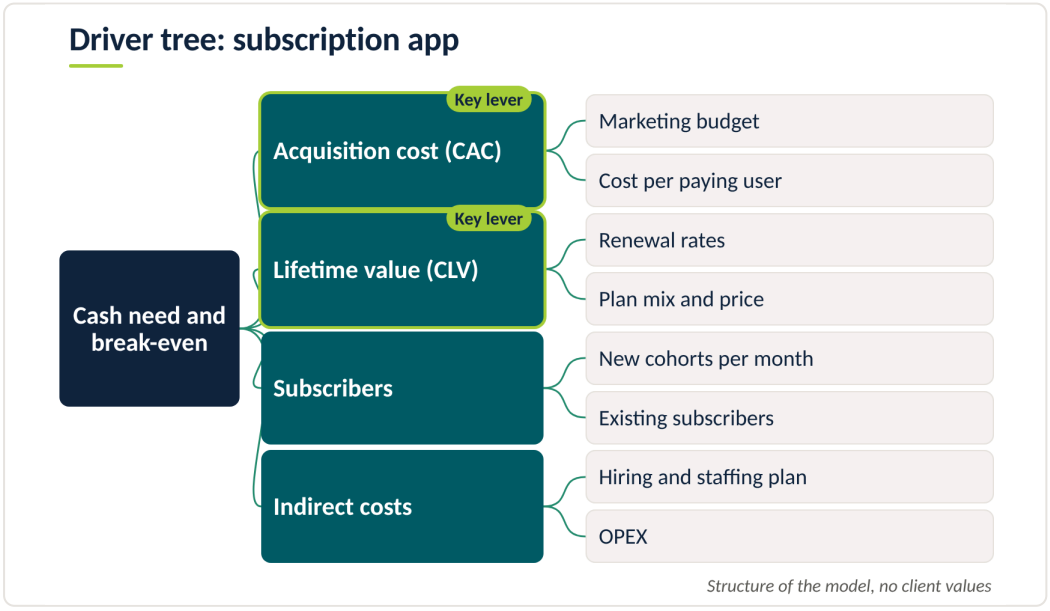
1. **Acquire**
   Money is spent on customer acquisition, mostly paid ads. The cost per paying user is the CAC.
2. **Subscribe**
   New users buy a plan, either monthly or yearly, each at its own price.
3. **Renew**
   At the end of every plan, some subscribers renew and some leave.
4. **Lifetime value**
   Renewals add up to an estimated CLV. Ideally CLV is clearly bigger than CAC.
5. **Cover costs and grow**
   The margin must also cover indirect costs, while user growth adds new cohorts.



From acquisition cost to profit: how the app economics work.

What drives the value?

Two levers decide whether growth pays off: acquisition cost (CAC) and lifetime value (CLV). CLV depends on renewal rates, the mix of monthly and yearly plans and their prices. Indirect costs, mostly staff and operating expenses, set how many subscribers are needed to break even.



Driver tree: from cash need and break-even to the inputs (structure only, no client values).

What made it hard to model?

1 Only a few months of data

DIFFICULTY The app had operated for only a few months, so subscriber, retention and cost data were still thin and not fully reliable.

OUR SOLUTION We analyzed the preliminary results (subscribers, retention, acquisition costs, estimated lifetime value and other KPIs) and turned them into stated assumptions that can be updated.

2 Is growth through paid ads profitable?

DIFFICULTY Paid ads brought most new users. Growth is only profitable if a subscriber earns more over their lifetime than it cost to acquire them.

OUR SOLUTION We calculated customer acquisition cost (CAC) and estimated customer lifetime value (CLV) per plan, and compared the two.

3 Monthly and yearly plans, each with renewals

DIFFICULTY Subscribers choose a monthly or yearly plan, and at the end of each plan some renew and some leave. Totals hide how each group behaves.

OUR SOLUTION We built a cohort model that starts from the existing subscribers and costs and forecasts each new cohort, with revenue built from the cohorts.

4 From marketing budget to a five-year forecast

DIFFICULTY Every forecast line depends on assumptions that move together: marketing budget, CAC, retention, hiring and operating costs.

OUR SOLUTION We built a five-year forecast driven by the marketing budget, CAC, retention rates, the hiring and staffing plan and OPEX assumptions.

5 Break-even and the funding decision

DIFFICULTY The founders needed to know how many paying subscribers cover the costs, and how much cash they need until then: bootstrap or raise funding?

OUR SOLUTION We ran a break-even analysis in paying subscribers and showed the funding need under scenarios, so both routes could be compared.

6 Founders new to financial analysis

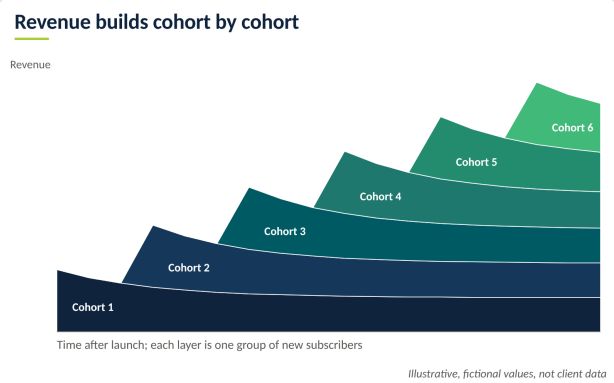
DIFFICULTY Analyzing a subscription business was new to the founders, and they needed to follow every step to steer the business with numbers.

OUR SOLUTION We added an actual vs. forecast comparison and a rolling forecast, and explained the model in several rounds of discussion.

THE TURNING POINT

From “how much should we raise?” to “which lever comes first?”

The founders came with a funding question. The cohort model changed the question. Growth through paid ads appeared to be profitable, but the gap between lifetime value and acquisition cost needed improvement: CAC had to come down and CLV had to go up. The model identified the levers to prioritize and showed what each one is worth. With the funding need visible, bootstrapping turned out to be the preferred option. Fundraising stays an option to accelerate the pace, but only after the customer acquisition strategy is fine-tuned.



Revenue builds as cohorts stack up, fictional values (not client data).

Worst, base and best case

The model tests how far the picture moves when CAC and renewal rates change.

Worst case
CAC rises and renewals fall. A new subscriber does not pay back, and funding would only buy more of the same losses.

Base case
Lifetime value is just above acquisition cost. Growth pays back slowly, so fine-tuning acquisition comes first.

Best case
CAC falls and renewals rise. Each subscriber pays back with room for indirect costs and growth capital.

Scenarios show how the case could work out; they do not prove the assumptions.

What we built

INPUTS	CALCULATION MODULES	OUTPUTS
Subscribers and first results	KPI analysis of first results	CAC, CLV and other KPIs
Marketing budget and CAC	Cohort model	Five-year forecast
Plans, prices and renewal rates	Revenue from cohorts	Break-even in paying subscribers
Hiring and staffing plan	Costs and staffing	Funding need by scenario
OPEX assumptions	Scenarios and rolling forecast	Actual vs. forecast

How we worked together

Step 1

Analyse and discuss

Analysed subscribers, retention, acquisition costs and lifetime value from the first results, and led the opening discussion.

Step 2

Plan and build the cohorts

Planned the model with the founders, started from the existing subscribers and forecast the next cohorts and their revenue.

Step 3

Forecast and break-even

Built the five-year forecast, break-even analysis, scenarios and rolling forecast.

Step 4

Discuss and deepen

Held several rounds of discussion to answer follow-up questions.

What came out of it?

The founders see their financial situation clearly: what a subscriber costs and earns, how many subscribers they need to break even, and which levers to work on first.

- First metrics calculated, with transparency on the financial implications of the business case.
- A cohort analysis to compare actual results with the plan and see whether the app is on track.
- A forecast with scenarios showing the range of likely results under stated assumptions.
- Visibility on the funding need: bootstrapping remains the preferred option for now.

Lessons for subscription apps

1. Measure growth by cohort. Totals hide whether new subscribers pay back what they cost. A cohort shows when a group has earned back its acquisition cost, and whether newer groups behave better or worse than older ones.
2. Fix the unit economics before you raise. Funding accelerates what works; it does not lower CAC. If each subscriber loses money, more money only buys a larger loss, so improve CAC and CLV first.
3. Make the model a routine. Actual vs. forecast and a rolling forecast turn early guesses into evidence: each new period of real data replaces an assumption, and the gaps show which one to revisit first.

Questions your model must answer

1. What does it cost to acquire one paying subscriber?
2. How many subscribers renew at the end of each monthly and yearly plan?
3. What lifetime value does each plan earn, and how reliable is the data?
4. Is lifetime value clearly above acquisition cost?
5. How many paying subscribers cover the indirect costs?
6. How much cash is needed until break-even?
7. Which lever moves the result most: lower CAC, better retention, plan mix or price?
8. Are the new cohorts on track against the forecast?
9. How sensitive is break-even to CAC and renewal rates?
10. What would new funding pay for?

Client details are anonymised to protect confidentiality. Charts, schematics and worked examples are illustrative and contain no client data.

Planning a subscription app project?
Explore our Mobile App financial model or request a custom financial model.
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