

Bobby DeMario — Music Operating Company

Investor-Grade Operating Model — CFO Memo & Workbook Guide

Round: \$400,000 angel · **Horizon:** Month 0 → Year 5 (Month 60) · **Companion file:**
Bobby_DeMario_Investor_Model.xlsx

o. How to read the workbook

Thesis chain: Capital → Infrastructure → Audience Assets → Music IP → Cash Flow → Reinvestment → Enterprise Value.

Architecture (the important design decision): the model is built in two honestly-separated layers.

1. **Bottoms-up operating engine** (Fan Page, Playlist, Forever Pre-Saver, Song Cohort, Streaming, SaaS, Monthly Timeline). This is rigorous and deliberately *conservative* — it drives the real monthly P&L and cash balance.
2. **Valuation layer** (Year 5 Enterprise Value, Investor Return). This is driven by **management's stated Year-5 target bands** as editable inputs (\$600k recorded-music revenue, \$500k SaaS ARR), so it reproduces the stated EV bands exactly. Every valuation tab carries a **reconciliation line** showing the bottoms-up modeled value next to the valuation input, and names the gap.

This is the correct CFO structure: an investor sees both the floor (what the conservative engine produces) and the target (what you're pitching), with the bridge between them made explicit rather than hidden. No hype is buried in the base case.

Scenario switch: Assumptions!F4 = **1 (Conservative) / 2 (Base) / 3 (Strong)**. It flips every three-case driver (pre-saver yield, streams/pre-saver, Spotify rate, churn, multiples, etc.) via `INDEX(Cons:Strong, scenario)`. The whole model — including the dashboard, EV and returns — re-prices instantly.

Color code (industry standard): **blue** = editable input · **black** = formula · **green** = cross-sheet link · **yellow** = key cell to attend to.

1. The 25 tabs

#	Tab	What it does
1	KPI Dashboard	Leads with the <i>drivers</i> (pre-savers, streams/pre-saver, playlists, leads) + the real historical Spotify evidence behind the 7.76 + a Base vs Aggressive Reinvestment side-by-side (editable ramp; pre-savers/streams exact, money lines scale the live base with the saturation haircut)
2	Executive Dashboard	KPI tiles (active scenario), EV & investor return by scenario, phase strip
3	Assumptions	Every editable input + scenario selector. The single source of truth
4	Use of Proceeds	\$400k mapped to capability / asset created / KPI moved
5	Monthly Timeline	Month 0–60 P&L + cash flow (the spine); annual summary
6	Unit Economics	Per-unit math for fan page, release, playlist, SaaS
7	Fan Page Engine	Monthly pages, followers, gross + net-active pre-savers
8	Forever Pre-Saver Engine	Standing pre-saver base (milestone series, single source of truth) + causal chain
9	Release Engine	60 masters, 60 videos, production costs
10	Song Cohort Model	Pre-savers × streams-per-pre-saver → maturity matrix → monthly catalog streams
11	Streaming Revenue	Audience / playlist / content / breakout, separated; annual rollup
12	Playlist Engine	Build, maturation, Bobby-streams, ad spend
13	Backend SaaS	Submission → reply → purchase → churn → MRR/ARR
14	Content Engine	Upside scenarios (excluded from base)
15	Artist Development	R&D for the flagship asset
16	AI Operations	Headcount avoided / cost-to-serve leverage; \$0 standalone value
17	Additional Monetization	Membership, merch, live, partnerships (excluded)
18	Reinvestment Model	Priority policy + annual cash & asset-growth schedule
19	Royalty Advance	Non-dilutive distribution financing table
20	Major Label JV	Strategic-accelerator tiers (not an exit)
21	Year 5 Enterprise Value	Catalog + SaaS valuation, scenario cases, reconciliation
22	Investor Return	Illustrative return scenarios + exit paths
23	Sensitivity Analysis	Spotify rate, playlist network, fan-page yield, EV grid

#	Tab	What it does
24	Charts	4 live charts + deck shot-list
25	Data inputs pending	Inputs that will tighten the model as they are measured

2. Use of Proceeds — \$400,000

Line item	\$	%	Asset created
Founder Salary (24 months)	140,000	35.0%	Founder runway through the 24-month build
Artist Development	36,000	9.0%	Higher-quality flagship artist
Playlist Buildout	30,000	7.5%	Owned playlist network (100)
Music Production	24,000	6.0%	Owned master recordings
Content Engine	24,000	6.0%	Content library + distribution
AI Development	24,000	6.0%	AI operating system
VA Team	24,000	6.0%	Operational capacity
Fan Page Infrastructure	20,000	5.0%	Fan-page network (~500–1,000)
Software / CRM / Tools	20,000	5.0%	Data + CRM asset
Legal / Accounting	20,000	5.0%	Clean IP ownership
Music Videos	12,000	3.0%	Owned video assets
Fan Page Operations	12,000	3.0%	Sustained page output
Contingency / Buffer	14,000	3.5%	Cash buffer
TOTAL	400,000	100%	

Every line buys a capability **and** a durable asset — see the full table on the **Use of Proceeds** tab. The \$400k splits into ~**\$260k business build cost** (broken-out items + contingency) and **\$140k founder salary spread across the full 24-month build** (~\$5,833/mo, Months 1–24, then \$0). After the build, the founder and all ongoing growth are funded by **reinvested business revenue** — the raise is build capital, not a perpetual payroll.

Expense cadence (how each line is actually deployed in the Monthly Timeline): - **One-time build (Months 1–6):** the \$30k playlist buildout and the \$20k fan-page infrastructure are spent as the first 100 playlists and 500 pages come online — not annualized. Later growth (→500 playlists, →3,000 pages) is revenue-funded capex. - **Ongoing monthly:** content \$2,000/mo · song production \$500/mo · music video \$500/mo · artist development **\$300/week** (~\$1,300/mo) · founder \$5,833/mo for Months 1–24. - **Ongoing annual run-rate:** VA, AI dev + infra, software/CRM, legal/accounting (the genuinely recurring back-office costs).

3. Phased timeline

- **Phase 1 — Infrastructure Build (Mo–6):** 500 fan pages, 100 playlists, AI agents, CRM, SOPs, content + release engines. Revenue low by design.
 - **Phase 2 — First Operating Cycle (M7–18):** followers, Forever Pre-Savers, streams, qualified artist leads, first SaaS customers, catalog cash flow begin.
 - **Phase 3 — First Compounding Cycle (M19–30):** reinvest cash into highest-ROI engine → ~1,000 fan pages, ~200 playlists, ~50–55k Forever Pre-Savers.
 - **Phase 4 — Scale (Y3–5):** operating cash + distribution advances → ~3,000 fan pages, ~500 playlists, ~120–150k Forever Pre-Savers, ~60 owned masters, SaaS toward \$500k ARR.
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4. Unit economics (base scenario)

- **Fan page:** \$20 build · 360 followers/page/yr · 30 pre-savers/page/yr → **\$0.67 per Forever Pre-Saver** (Conservative \$1.00 @20/yr, Strong \$0.50 @40/yr). Modeled as compounding infrastructure, not a one-time ad.
 - **Release:** \$500 production + \$500 video = **\$1,000 per flagship**. Lifetime streams = pre-savers × streams-per-pre-saver (Cons **8×** / Base **12×** / Strong **20×** / Historical High **35×**, from real data). A 22k-pre-saver song (Year 1) = **264k** streams (base); a 55k-pre-saver song (Year 2) = **660k**; a 150k-pre-saver song (Year 5) = **1.8M** — all directly from the 7.76-anchored multiplier.
 - **Playlist:** \$300 build · 140 Bobby-streams/day (base) · **30–60 day maturation** (streams begin the month after build) → ~51k streams/yr/playlist → ~\$204/yr Spotify. And it's self-funding: submission revenue runs ~330% of ad spend (Playlist Self-Funding tab).
 - **SaaS:** \$99/mo · 40% margin · 10% churn → 10-month avg life → **LTV ≈ \$396**, with effectively **\$0 CAC** (leads are a free byproduct of the playlist network).
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5. The engines (how revenue compounds)

Forever Pre-Saver engine (leading indicator). Causal chain: **Fan Pages** → **Forever Pre-Savers** → **Streams per Pre-Saver** → **Streams** → **Royalties**, a *live* chain. The pre-saver base is now an **explicit stock-flow**: each month, Gross new = pages × (30/yr) → less **overlap** (20%, same listeners on multiple pages) → less **inactive** (10%) → accumulated → less annual **churn** (8%) = **Net Active Forever Pre-Savers** (all editable). This lands ~13k (Y1) → 28k (Y2) → 56k (Y3) → **145k (Y5)** at 3,000 pages — a slower, more honest early ramp than an instant conversion. Push pages up (via reinvestment) and pre-savers, streams, revenue and EV all recompute automatically. Fan-page count is the master lever.

Song cohort model. Each release's lifetime streams (pre-savers × multiplier) mature on the curve — Months 1–3: 30%, 4–6: 25%, 7–12: 25%, 13–24: 20% — then a long tail driven by **30% annual catalog retention**. A Month-1 song has 60 months of runway; a Month-60 song has one. Because 8 of the 10 historical songs are still <1 year old and accumulating, the 7.76 measured is an *early-stage* read — the Base 12× reflects lifetime maturation above the current measure. The matrix sums to monthly catalog streams that climb as the catalog deepens. **Playlist streams are modeled separately** (owned infrastructure), never inside the pre-saver math.

Playlist engine. Builds to 100 (Y1) → 200 (Y2) → 500 (Y5), each maturing ~6 months before producing consistent Bobby-streams. At steady state: 100 playlists ≈ 5.1M streams/yr (~\$20.4k), 200 ≈ 10.2M (~\$40.9k), 500 ≈ 25.6M (~\$102k). It also produces the qualified artist leads that feed SaaS, and submission revenue is designed to increasingly self-fund the Meta ad spend.

Backend SaaS. Submissions (20/playlist/mo) → 5% reply → 5% purchase → churn-adjusted subscriber base × \$99 × 40% margin. Secondary ecosystem revenue, **not** the core thesis.

6. Base-case operating results (scenario = Base)

Metric	Y1	Y2	Y3	Y4	Y5
Total revenue	\$32k	\$108k	\$208k	\$328k	\$438k
EBITDA	−\$208k	...	...	...	+\$118k
Ending cash (cumulative)	+\$154k	...	...	...	−\$32k
Fan pages	500	1,000	1,800	2,400	3,000
Forever Pre-Savers (net active, stock-flow)	13k	28k	56k	95k	145k
Streams per NEW song (base)	300k	600k	1.08M	1.44M	1.8M
Owned masters	12	24	36	48	60

Runway / financing bridge. The \$400k = ~\$260k business build + \$140k founder salary across the 24-month build (Months 1–24, then \$0). Founder and ongoing growth are funded by reinvested business revenue thereafter. With streaming now on real data, the bottoms-up model ends Year 1 with **+\$154k cash** and is **nearly self-funding across all five years** — cumulative cash bottoms out around breakeven (≈ **−\$32k by Year 5**) and Year-5 EBITDA is **+\$118k**. The angel round essentially builds *and* carries the plan; any small residual gap is covered many times over by a non-dilutive royalty advance (the **Royalty Advance** tab: \$75k–\$175k available at just \$50k of annual royalties, rising to \$375k–\$1.75M at \$250k–\$500k). **No additional equity is required to reach scale.**

7. Year 5 enterprise value (reconciles to management targets)

Valuation inputs (editable): **\$600k MASTER** recording revenue + **25% publishing** = **\$750k** recorded-music revenue, **\$500k** SaaS ARR. Catalog on a recorded-revenue multiple, SaaS on an ARR multiple. Everything else (Instagram, email/CRM, fan pages, playlists, AI, brand, touring, merch, memberships) is valued at **\$0** — they support the cash flows but are not separately valued, to stay conservative.

Component	Conservative	Base	Strong
Catalog (10× / 15× / 18× × \$750k incl. publishing)	\$7.5M	\$11.25M	\$13.5M
SaaS (3× / 5× / 7× × \$500k)	\$1.5M	\$2.5M	\$3.5M
Enterprise value	\$9.0M	\$13.75M	\$17.0M

(Adding publishing lifted the catalog +25% and total EV ~+20% — SaaS value is unchanged. Master-only would be \$7.5M / \$11.5M / \$14.3M.)

Reconciliation (shown live on the EV tab): with real data, the bottoms-up engine now models ~**\$204k Y5 recorded-music revenue (Base 12×)** and ~\$258k SaaS ARR. The \$600k valuation input corresponds to **Historical-High streaming performance** — i.e. the whole catalog performing like "Ordinary Games" (34.6 streams/pre-saver): at 35× the bottoms-up Y5 recorded revenue reaches ~**\$595k**, essentially meeting the input. So the EV cases read cleanly as: Base multiplier = ~\$200k floor, Strong = ~\$340k, Historical-High = ~\$600k (the valuation input).

Two views of EV, both now on the EV tab: 1. **Stated-band EV** (\$600k / \$500k inputs) → \$7.5M / \$11.5M / \$14.3M (reproduces the pitch tables). 2. **Modeled EV (data-driven, moves with the model)** → valued off the *actual* audience + playlist streams: **Conservative \$3.9M • Base \$4.4M • Strong \$5.3M • Historical-High \$7.0M** (at the active catalog/SaaS multiples). This is the honest floor: it is *lower* than the stated band because bottoms-up base recorded revenue (\$204k) sits below the \$600k assumption — the valuation climbs toward the pitch band only under Strong/Historical-High streaming (which the "Ordinary Games" proves is achievable) or via reinvestment.

Reinvestment compounding (Reinvestment Model tab): an editable calculator turns a reinvestment pool (surplus profit and/or a non-dilutive royalty advance) into extra fan pages + playlists → extra pre-savers/streams → extra revenue → EV uplift. It carries a built-in **"incremental efficiency vs. core" haircut (default 50%)** — a standard diminishing-returns / saturation adjustment reflecting that scaled acquisition is less efficient than the proven core. Placeholder pending real cohort data; set it to 100% to see the linear (no-decay) upper bound. At the 50% default a \$250k pool shows **+187k pre-savers / ~+\$840k EV** (the linear bound is +375k / +\$1.68M). The *mechanism* is right (reinvest → compound → more value); the haircut keeps the *magnitude* honest and defensible.

8. Optionality deliberately excluded from the base

- **Content engine** — Good +250k / Strong +500k incremental streams per song; breakout = 1 song at millions. Toggleable; **off** in base.
 - **Additional monetization** (music-related only) — fan membership, merch, live shows, music brand partnerships. Illustrated, excluded from forecast and valuation. Publishing, sync, VIP, non-music acting all excluded entirely.
 - **Royalty/distribution advances** — financing, not revenue.
 - **Major-label JV** — strategic accelerator, not an exit, not guaranteed revenue.
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9. Sensitivity (live on the Sensitivity tab)

- **Spotify rate** \$0.0035 / \$0.0040 / \$0.0045 → Y5 Spotify revenue.
 - **Playlist network** 80/140/200 streams/day × 100/200/500/1,000 playlists → annual streams & revenue (1,000 playlists ≈ \$204k/yr alone at 140/day).
 - **Fan-page yield** 20/30/40 pre-savers/page → cost per pre-saver \$1.00 / \$0.67 / \$0.50.
 - **EV grid** recorded revenue (\$330k–\$650k) × multiple (10×–18×).
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Bottom line

The conservative engine produces a defensible floor and an honest runway picture (the \$400k funds the build; advances + cash flow fund the scale). The valuation layer reproduces the stated EV bands exactly, with the assumptions to get there made explicit and editable. Change Assumptions! F4 to walk from floor to target in one click.