The Daily Perc Sample Business Plan

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Attractive visual

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Table of Contents

Well organized, neatly presented Table of Contents.

Page numbers included.

Appendices

1. Executive Summary

Introduced with a positive opening statement.

Use of innovative equipment to increase efficiency.

Innovation in product and service delivery. Use of trained staff to ensure product quality. Capacity to produce coffee on a custom basis.

Setting quality by comparison with other suppliers of coffee.

Quality statement.

Industry definition

The offer the bur... of products are service to be provided

More about offer.

The Daily Perc, Inc. (TDP) is a specialty beverage retailer. TDP uses a system that is new to the beverage and food service industry to provide hot and cold beverages in a convenient and time-efficient way. TDP provides its customers the ability to drive up and order (from a trained barista) their choice of a custom-blended espresso drink, freshly brewed coffee, or other beverage. TDP is offering a high-quality option to the fast-food, gas station, or institutional coffee.

The Daily Perc offers its patrons the finest hot and cold beverages, specializing in specialty coffees, blended teas, and other custom drinks. In addition, TDP will offer soft drinks, fresh-baked pastries, and other confections. Seasonally, TDP will add beverages such as hot apple cider, hot chocolate, frozen coffees, and more.

Target markets that TDP will se...

The Daily Perc will focus on two markets:

The Daily Commuter—someone traveling to/from work, out shopping, delivering goods or services, or just out for a drive.

The Captive Consumer—someone who is in a restricted environment that does not allow convenient departure and return while searching for refreshments, or where refreshments stands are an integral part of the environment.

Logic for selecting locations.

Facilities designed for the purpose of TDP. Design contributes to competitive advantage.

Produc... tion ar... delive... capab...

The Daily Perc will penetrate the commuter and captive consumer markets by deploying Drive-thru facilities and Mobile Cafés in the most logical and accessible locations. The Drive-thru facilities are designed to handle two-sided traffic and dispense customer-designed, specially ordered cups of premium coffees in less time than required for a visit to the locally owned café or one of the national chains.

The off... adding philan-thropy ... the mi...

In addition to providing a quality product and an extensive menu of delicious items, to ensure customer awareness and loyalty, as well as good publicity coverage and media support, we will be donating up to 7.5% of revenue to local charities based upon customer choices.

Staffing as a component of quality.

Employees as a competitive advantage is using operations as an advantage.

Inventory management plan.

Critical financ... and op... ationa... assum... tions.

The Daily Perc's financial picture is quite promising. Since TDP is operating a cash business, the initial cost is significantly less than many start-ups these days. The process is labor intensive and TDP recognizes that a higher level of talent is required. The financial investment in its employees will be one of the greatest differentiators between it and TDP's competition. For the purpose of this pro forma plan, the capital expenditures of facilities and equipment are financed. There will be minimum inventory on hand so as to keep the product fresh and to take advantage of price drops, when and if they should occur.

Defini... of fina... ing ne...

The Daily Perc anticipates the initial combination of investments and long-term financing of $515,000 to carry it without the need for any additional equity or debt investment, beyond the purchase of equipment or facilities. This will mean growing a bit more slowly than might be otherwise possible, but it will be a solid, financially sound growth based on customer request and product demand.

Proposing an IPO or private offering to generate cash.

Offering is not only for growth, but also the exit option the managers prefer.

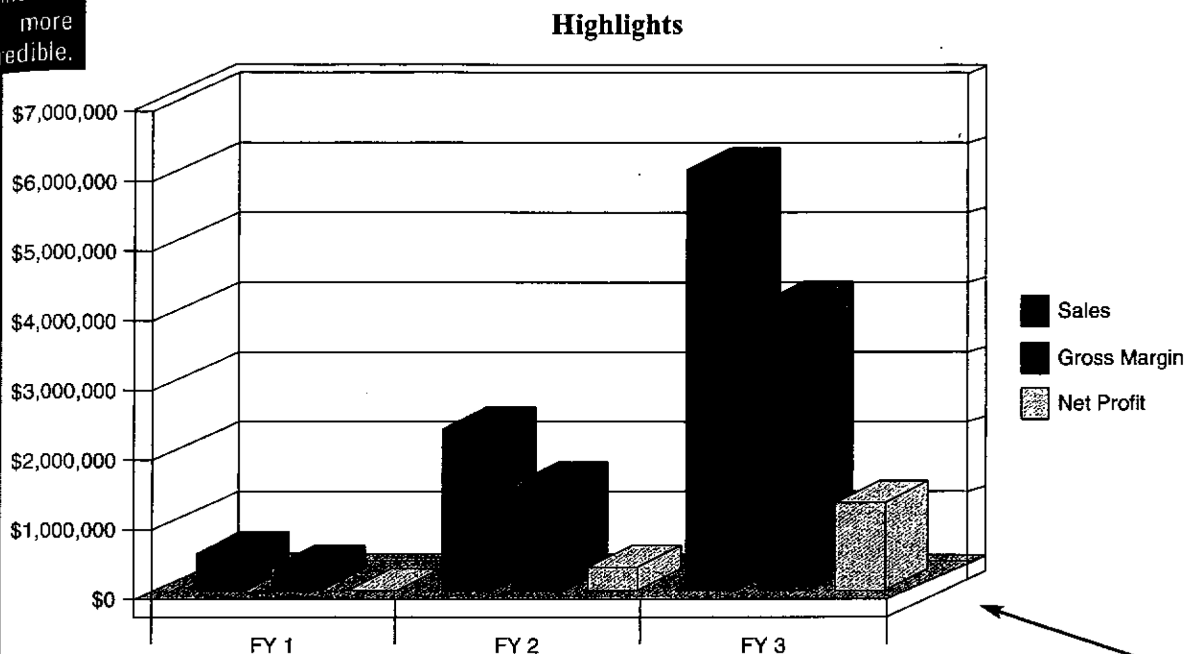
Grow... strate... define...

The Daily Perc chooses to become the Drive-thru version of Starbucks between the mountains, obtaining several million dollars through an initial public or private offering that would allow the company to open 20 to 30 facilities per year in all metropolitan communities in the North, Midwest, and South with a population of over 150,000. This is the preferred Exit Strategy of the Management Team. The danger in this is that competitors would rise up and establish a foothold on a community before—or in the midst of—the arrival of The Daily Perc, causing a potential for a drain on revenues and a dramatic increase in advertising expenditures to maintain market share. Knowing these risks—and planning for them—gives TDP the edge needed to make this scenario work.

Showing net worth, cash, and earnings to value the company.

The balance sheet estimates a Net Worth of $1,724,505 for the third year, cash balances of $1,097,010, and earnings of $1,294,371, based on thirteen Drive-thrus and four Mobile Cafés, Providing current valuation standard. Citation for the source of this information would make it more credible.

it is not unrealistic to put a market value of between $4 million and $9 million on the company. At present, such companies are trading in multiples of 4 to 10 times earnings, and it is simple mathematics to multiply the success of TDP by the number of major and smaller metropolitan areas between the mountain ranges of the United States.



Clear visual representation.

1.1. Objectives

The Daily Perc has established three firm objectives it wishes to achieve in the next three years:

1. Thirteen Drive-thru locations and four fully booked Mobile Cafés by the end of the third year.
2. Gross Margin of 45% or more.
3. Net After-tax Profit above 15% of Sales.

Statement of performance objectives over three years.

1.2. Keys to Success

There are four keys to success in this business, three of which are virtually the same as any food service business. It is our fourth key—the Community Mission—that will give us that extra measure of respect in the public eye.

1. The greatest locations—visibility, high traffic pattern, convenient access.
2. The best products—freshest coffee beans, cleanest equipment, premium serving containers, consistent flavor.
3. The friendliest servers—cheerful, skilled, professional, articulate.
4. The finest reputation—word-of-mouth advertising, promotion of our community mission of charitable giving.

Competitive advantage.

Location and delivery advantage.

Quality advantage.

Service advantage.

Physical location as a key to achieving objectives. Three factors identified. Need to attach clear measures.

Product quality, as defined along four dimensions, to assist in achieving objectives. Need to attach clear measures.

Employees as a critical factor in achieving objectives. The four factors need clear measures.

Customer perception as defined by two measures. Clear measures needed.

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2. Mission, Vision, and Culture

The mission, vision, and culture of The Daily Perc are aligned for success. This is an organization that understands doing well by doing good and is designed to be profitable and an asset to the communities it serves.

2.1. Mission

The Daily Perc Mission is threefold, with each being as integral to our success as the next.

Product Mission—Provide customers the finest-quality beverage in the most efficient time.

Community Mission—Provide community support through customer involvement.

Economic Mission—Operate and grow at a profitable rate through sound economic decisions.

Focus on growth.

Clear, concise, compelling.

2.2. Vision

The Daily Perc will be the purveyor of the finest-quality beverages and baked goods in the most efficient time while sustaining our uncompromising principles and contributing to our communities.

TDP vision is future-oriented, compelling, built upon core values, and energizes employees.

2.3. Culture

The Daily Perc values teamwork; family and social responsibility; diversity; customer satisfaction; and a fun, healthy work environment. This creates a culture of collaboration and of high performance in small units.

Orientation toward people.

Concern about the customer.

Concerns about people.

Focus on teams and outcomes.

TDP culture conveys core values.

3. Company Summary

The Daily Perc is a specialty beverage retailer. TDP uses a system that is new to the beverage and food service industry to provide hot and cold beverages in a convenient and time-efficient way. TDP provides its customers the ability to drive up and order from a trained barista their choice of a custom blended espresso drink, freshly brewed coffee, or other beverage. TDP is offering a high-quality option to the fast-food, gas station, and institutional coffee.

Concise restatement of the Business Definition from the Executive Summary.

3.1. Company Ownership

The Daily Perc is a Limited Liability Corporation. All membership shares are currently owned by Bart and Teresa Fisher, with the intent of using a portion of the shares to raise capital.

Tells the reader the type of organization and ownership.

The plan calls for the sale of 100 membership units in the company to family members, friends, and Angel Investors. Each membership unit in the company is priced at $4,250, with a minimum of five units per membership certificate, or a minimum investment of $21,250 per investor.

If all funds are raised, based on the pricing established in the financial section of this plan, Bart and Terri Fisher will maintain ownership of no less than 51% of the company.

3.2. Start-Up Summary

The Daily Perc's start-up expenses total just $365,670. The majority of these funds—roughly $300,000—will be used to build the first facility, pay deposits, and provide capital for six months of operating expenses. Another $35,000 will be used for the initial inventory and other one-time expenses. The Daily Perc anticipates the need for roughly $25,500 in operating capital for the first few months of operation.

Uses of start-up funds summarized.

Produc quality.

Servic quality.

Operat goal.

Summary of qua and opera along ethics.

Culture de fined and underly factors identifie

Legal structu defined.

Owners and thei ownersh inter

Funding propos that will need to reflect financia

Statem shows owners intend to keep ma ity inte

4. Market Analysis Summary

Table gives a more detailed perspective on the start-up costs by category. Specific detail can be provided in the appendices.

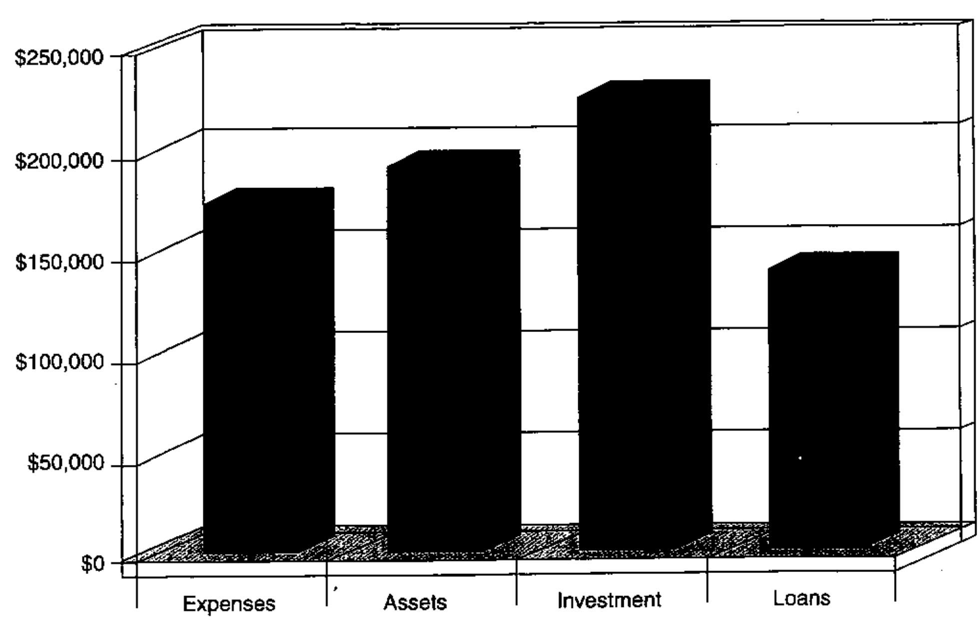
The Daily Perc—Start-Up

Requirements	
Start-Up Expenses	
Legal	$3,500
Office Equipment	$4,950
Drive-thru Labor (6 months)	$65,000
Drive-thru Finance Payment (6 months)	$12,300
Drive-thru Expenses (6 months)	$8,520
Land Lease (6 months)	$7,200
Vehicle Finance (6 months)	$3,700
Administration Labor (6 months)	$54,000
Web site Development & Hosting	$5,600
Identity/Logos/Stationary	$4,000
Other	$5,000
Total Start-Up Expenses	$173,770
Start-up Assets	
Cash Required	$25,500
Start-Up Inventory	$35,000
Other Current Assets	$0
Long-term Assets	$131,400
Total Assets	$191,900
Total Requirements	**$365,670**

Income statement items.

Balance sheet items.

Total amount of funding needed is clearly stated.



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The Daily Perc—Start-Up Funding

Start-Up Expenses to Fund	$173,770
Start-Up Assets to Fund	$191,900
Total Funding Required	**$365,670**
Assets	
Non-cash Assets from Start-Up	$166,400
Cash Requirements from Start-Up	$25,500
Additional Cash Raised	$0
Cash Balance on Starting Date	$25,500
Total Assets	**$191,900**
Liabilities and Capital	
Liabilities	
Current Borrowing	$9,000
Long-term Liabilities	$131,400
Accounts Payable (Outstanding Bills)	$0
Other Current Liabilities (Interest-free)	$0
Total Liabilities	**$140,400**
Capital	
Planned Investment	
Partner 1	$21,250
Partner 2	$21,250
Partner 3	$42,500
Partner 4	$25,500
Partner 5	$29,750
Other	$85,020
Additional Investment Requirement	$0
Total Planned Investment	**$225,270**
Loss at Start-Up (Start-Up Expenses)	($173,770)
Total Capital	$51,500
Total Capital and Liabilities	$191,900
Total Funding	$365,670

Carried over from previous table.

Inventory and long-term assets are included.

Debt for long-term assets.

Investors that purchase membership units priced at $4,250 in at least five-unit blocks.

This category should be explained.

Start-up loss is set to equal start-up expenses.

This total matches the total start-up requirements.

The Daily Perc will focus on two markets:

Target market # 1.

1. **The Daily Commuter**—someone traveling to or from work, out shopping, delivering goods or services, or just out for a drive.

Target market # 2.

2. **The Captive Consumer**—someone who is in a restricted environment that does not allow convenient departure and return while searching for refreshments, or where refreshments stands are an integral part of the environment.

4.1. Market Segmentation

Distinctive differentiation in approach to the segments.

The Daily Perc will focus on two different market segments: Daily Commuters and Captive Consumers. To access both of these markets, TDP has two different delivery systems. For the commuters, TDP has the Drive-thru coffeehouse. For the captive consumer, TDP has the Mobile Café.

Commuters are defined as any one or more individuals in a motorized vehicle traveling from point "A" to point "B." The Daily Perc's greatest concentration will be on commuters heading to or from work, or those out on their lunch break.

Captive Consumers would include those who are tethered to a campus environment, or in a restricted entry environment that does not allow free movement to and from. Examples would include high school and college campuses, where there is limited time between classes, and corporate campuses where the same time constraints are involved, but regarding meetings and project deadlines, and special events—such as carnivals, fairs, or festivals—where there is an admission price to enter the gate, but exiting would mean another admission fee, or where refreshments are an integral part of the festivities.

The following chart and table reflect the potential numbers of venues available for the Mobile Cafés and what growth could be expected in those markets over the next five years. For a conservative estimate of the number of Captive Consumers this represents—multiply the total number of venues in the year by 1,000. As an example, in the first year, The Daily Perc is showing that there are a total of 2,582 venues at which we might position a Mobile Café. That would equate to a Captive Consumer potential of 2,582,000.

Similarly, there are well over 2,500,000 commuters in the metropolitan area, as well as visitors, vacationers, and others. It can also be assumed that these commuters do not make only one purchase in a day, but in many cases, two and even three beverage purchases.

The chart reflects college and high school campuses, special events, hospital campuses, and various charitable organizations. A segment that is not reflected in the chart (since it would skew the chart so greatly) is the number of corporate campuses in the metropolitan area. There are over 1,700 corporate facilities that house more than 500 employees, giving us an additional 1,700,000 prospective customers, or total of 2,582 locations at which we could place a Mobile Café.

Definition of target market #1—no limit of distance or time stated.

Definition of target market #2—easily understood.

Good examples to clarify the definition.

Explanation of a key assumption for volume.

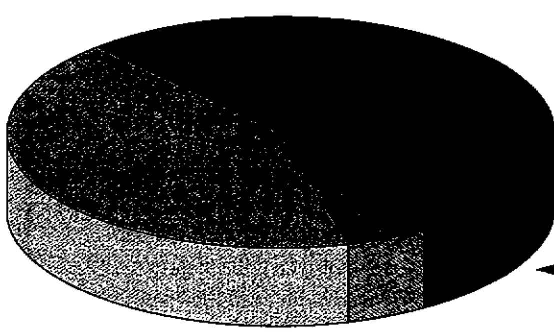
Total market size clearly stated.

Identification of another target.

Frequency of purchase estimate—critical for sales projections.

Explanation of another market opportunity and why it is not included in the chart.

Market Analysis



Visual representation of data. Helps to summarize and clarify potential locations.

Market Analysis

Visual representation of data. Helps to summarize and determine projected growth for potential locations.

Potential Customers	Growth	YR1	YR2	YR3	YR4	YR5	CAGR
Public High School Campuses	1%	80	81	82	83	84	1.23%
Private High Schools	0%	88	88	88	88	88	0.00%
College Campuses	0%	77	77	77	77	77	0.00%
Golf Courses	0%	99	99	99	99	99	0.00%
Special Events	3%	43	44	45	46	47	2.25%
Non-Profits w/$500K+ Budgets	2%	362	369	376	384	392	2.01%
Hospital Campuses	0%	100	100	100	100	100	0.00%
Total	1.10%	849	858	867	877	887	1.10%

4.2. Target Market Segment Strategy

Clear definition of TDP's target market by lifestyle.

Place defined. Location strategy explained.

TDP's target market is the mobile individual who has more money than time, and excellent taste in a choice of beverage, but no time to linger in a café. By locating the Drive-thrus in high traffic/high visibility areas, this unique—and abundant—consumer will seek The Daily Perc out and become a regular guest.

Promotion strategy defined.

Promotion with social benefits.

To penetrate the target market for the Mobile Cafés, these units will do what they were designed to do. The Daily Perc will take the café to the customer! By using the community support program TDP is instituting, arrangements will be made to visit a high school, college campus, or a corporate campus once or twice a month (even visit these facilities for special games, tournaments, recruiting events, or corporate open houses). And, for every cup or baked good sold, a portion is returned to the high school or college. It becomes a tremendous, painless way for the institution to gain a financial reward while providing a pleasant and fulfilling benefit to their students or employees.

Analysis of the overall industry, in this instance, the coffee industry, provides the broader context.

4.3. Industry Analysis

Industry growth.

The coffee industry has grown by tremendous amounts in the United States over the past five years. According to e-imports.com, "Specialty coffee sales are increasing by 20% per year and account for nearly 8% of the 18 billion dollar U.S. coffee market." Starbucks, the national leader, had revenues in fiscal 2000 of $2.2 billion. That is an increase of 32% over fiscal 1999. Starbucks plans to increase revenues to over $6.6 billion from 10,000 retail outlets by 2005.

Frequency of purchase data.

Even general coffee sales have increased, with international brands such as Folgers, Maxwell House, and Safari coffee reporting higher sales and greater profits. According to data gathered by the Specialty Coffee Association of America (SCAA), "Nearly 52% of Americans over 18 years of age drink coffee every day. They represent over 100 million daily drinkers. 30 million American adults drink specialty coffee beverages daily." Other interesting statistics are available from e-imports.com on coffee consumption:

Volume per purchase.

Average price per purchase by product.

Timing of consumption.

Product preference measure.

Volume of sales by a particular business type.

Data that can be used in TDP sales and financial projections.

- Among those who drink coffee, average consumption is 3.1 cups (average of 9 ounces each) per day.
- The price is $2.45 on average for an espresso-based drink.
- Brewed coffee averages $1.38 each.
- Coffee is primarily consumed during breakfast hours (65%), with 35% consumed between meals and the balance with other meals.
- Black coffee is preferred by 35% of coffee drinkers.
- The average number of cups of espresso and coffee drinks sold per day at an espresso Drive-thru business with a great visible location is 250, with 500 cups being extraordinary.
- 69% of the coffee sold by independent coffee shops is brewed coffee and 31% is espresso-based.

America is definitely a coffee country and the coffee industry is reaping the rewards.

Unique Selling Proposition.

4.3.1 Competition and Buying Patterns

There are four general competitors in The Daily Perc's Drive-thru market. They are the national specialty beverage chains, such as Starbucks and Panera, local coffeehouses—or cafés—with an established clientele and a quality product, fast-food restaurants, and convenience stores. There is a dramatic distinction among the patrons of each of these outlets.

Market positioning determined through the totality of experience. Quality factors described in subsequent sentences.

Patrons to a Starbucks, or to one of the local cafés, are looking for the "experience" of the coffeehouse. They want the ability to "design" their coffee, smell the fresh pastry, listen to the soothing Italian music, and read the local paper or visit with an acquaintance. It is a relaxing, slow-paced environment.

Patrons of the fast-food restaurants or the convenience stores are just the opposite. They have no time for idle chatter and are willing to overpay for whatever beverage the machine can spit out, as long as it's quick. They pay for their gas and they are back on the road to work. Although they have the desire and good taste to know good from bad, time is more valuable to them.

Competitors to the Mobile Cafés on campuses would include fast-food restaurants—assuming they are close enough to the consumer that they can get there and back in the minimal allotted time—vending machines, and company or school cafeterias. The consumers in this environment are looking for quick, convenient, fairly priced, quality refreshment that will allow them to purchase the product and return to work, class, or other activity.

Competitors to the Mobile Cafés at events such as festivals and fairs would include all the other vendors who are licensed to sell refreshments. Attendees to such events expect to pay a premium price for a quality product.

mphasis on the differ-nce in what defines a uality expe-rience for a different customer segment.

Limited competition based upon geography. Less of a clear distinction.

Unique Selling Proposition for these patrons is speedy service, and concern for quality is not significant.

Important factors are speed of delivery and convenience.

Excellent example of defining competitors. Important factors are speed of delivery, convenience, fair pricing, and quality of products.

5. Strategy and Implementation Summary

The Daily Perc will penetrate the commuter and captive consumer markets by deploying Drive-thru facilities and Mobile Cafés in the most logical and accessible locations. The Drive-thrus are designed to handle two-sided traffic and dispense customer-designed, specially ordered cups of specialty beverages in less time than required for a visit to the locally owned café or one of the national chains.

The Daily Perc has identified its market as busy, mobile people whose time is already at a premium, but desire a refreshing, high-quality beverage or baked item while commuting to or from work or school.

In addition to providing a quality product and an extensive menu of delicious items, to ensure customer awareness and loyalty, as well as positive public and media support, The Daily Perc could be donating up to 7.5% of revenue from each cup sold in individual Drive-thrus to the charities of the customers' choice.

Product quality as a positioning strategy. ome definition noted. Could enhance the description y identifying particu-r suppliers f high-end products. This is explained at the end of he section y the need customize he product election by location.

Place defined.

Product defined.

Philanthropy defined for TDP.

5.1. Products

The Daily Perc provides its patrons the finest hot and cold beverages, specializing in specialty coffees and custom blended teas. In addition, TDP will offer select domestic soft drinks, Italian sodas, fresh-baked pastries, and other confections. Seasonally, TDP will add beverages such as hot apple cider, hot chocolate, frozen coffees, and more. The beverages come with a social mission, as up to 7.5% of revenues go to local charities selected by the customers. The precise list of products will be specific to the Drive-thru location selected.

5.2. Competitive Edge

The Daily Perc's competitive edge is simple. TDP provides a high-quality product at a competitive price in a Drive-thru environment that saves time.

Clear description of the competitive edge.

Competitive advantage based upon quality, value, and timeliness.

5.3. Marketing Strategy

First and foremost, The Daily Perc will be placing its Drive-thru facilities in locations of very high visibility and great ease of access. They will be located on high traffic commuter routes and close to shopping facilities in order to catch customers going to or from work, or while they are out for lunch, or on a shopping expedition. The Drive-thrus are very unique and eye-catching, which will be a branding feature of its own.

The Daily Perc will be implementing a low-cost advertising/promotion campaign, which could involve drive-time radio, but not much more.

Description of the selection of locations and their design. Relationship between the location and the market.

Advertising plan limited to potential drive-time radio. This section ould be expanded to include nore information about the advertisements and the placement and costs.

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BUSINESS PLAN

Public relations strategy of providing community support.

Viral marketing as a marketing strategy.

The Daily Perc will rely on building relationships with schools, charities, and corporations to provide significant free publicity because of its community support program. By giving charitable contributions to these institutions, they will get the word out to their students/faculty/employees/partners about TDP. Word of mouth (or viral marketing) has always proven to be the greatest advertising program a company can instill. In addition, the media will be more than willing to promote the charitable aspects of TDP and provide the opportunity for more exposure every time TDP writes a check to another organization.

5.4. Sales Strategy

Using price reductions to generate sales.

Using design of the facilities to enhance sales.

Sales techniques with the baristas to encourage add-on sales.

There will be several sales strategies put into place, including posting specials on high-profit items at the Drive-thru window. The baristas will also hand out free drink coupons to those who have purchased a certain number of cups or something similar. TDP will also develop window sales techniques such as the baristas asking if the customer would like a fresh-baked item with their coffee.

5.4.1. Sales Forecast

Detailed sales projections translate concepts into product sales.

Using technology to support the business.

In the first year, The Daily Perc anticipates having two Drive-thru locations in operation. The first location will open in the third month of this plan and be fully operational beginning on the 1st day of September. The second Drive-thru will open six months later. TDP is building in a certain amount of ramp-up for each facility while commuters become familiar with its presence. The Drive-thrus will generate 288,000 tickets in the first year of operation, or approximately $558,000 in revenue. A detailed sales forecast for the first year appears in Appendix 1-A.

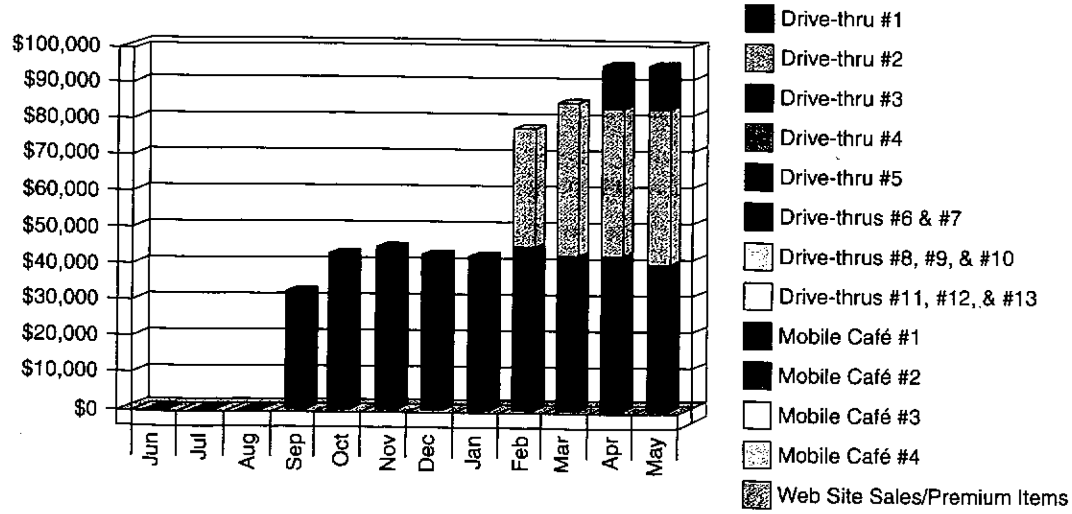
In the second year, The Daily Perc will add two more Drive-thrus and, in the third year, TDP will add an additional nine Drive-thru facilities. The addition of these facilities will increase the revenue from Drive-thrus to a total of over 1,000,000 tickets or $2.35 million in the second year and 2,675,000 tickets or just over $6 million in the third.

In addition to the Drive-thrus, The Daily Perc will deploy one mobile unit in the fourth quarter of the first fiscal year. TDP expects this mobile unit to generate 10,000 tickets each, at an average ticket price of $2.45, which will generate gross revenues of approximately $24,500.

In the second quarter of the second fiscal year, The Daily Perc will deploy a second and third mobile unit. TDP expects all three mobile units to generate

Visual representation of considerable data.

The Daily Perc—Sales Monthly



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150,000 tickets, or gross revenue of $375,00 in the second year. In the third fiscal year, with an additional fourth mobile unit deployed, TDP expects to see 264,000 mobile unit tickets, or $673,200 in gross revenue.

The Daily Perc is also showing revenue from the commerce portion of our Web site, where it will sell "The Daily Perc" T-shirts, sweatshirts, insulated coffee mugs, pre-packaged coffee beans, and other premium items. TDP is not expecting this to be a significant profit center, but it is an integral part of the marketing plan—as a function of developing our brand and building product awareness. TDP expects revenues from this portion, to begin in the second fiscal year, to reach $26,000 initially, and $36,000 in the third fiscal year.

Place includes a Web site location.

Products to be sold on the site.

Total first year unit sales should reach 298,402, equating to revenues of $558,043. The second year will see unit sales increase to 1,177,400, or $2,348,900. The third year, with the addition of such a significant number of outlets, we will see unit sales increase to 2,992,000, equating to gross sales revenue of $6,022,950.

The Daily Perc—Sales Forecast

Detailed visual representation of the expected sales.

	FY 1	FY 2	FY 3
Unit Sales			
Drive-thru #1	202,913	300,000	325,000
Drive-thru #2	85,489	300,000	325,000
Drive-thru #3	0	275,000	325,000
Drive-thru #4	0	150,000	325,000
Drive-thru #5	0	0	300,000
Drive-thrus #6 & #7	0	0	450,000
Drive-thrus #8, #9, & #10	0	0	450,000
Drive-thrus #11, #12, & #13	0	0	225,000
Mobile Café #1	10,000	60,000	66,000
Mobile Café #2	0	45,000	66,000
Mobile Café #3	0	45,000	66,000
Mobile Café #4	0	0	66,000
Web Site Sales/Premium Items	0	2,400	3,000
Total Unit Sales	298,402	1,177,400	2,992,000

	FY 1	FY 2	FY 3
Unit Prices			
Drive-thru #1	$1.85	$1.90	$1.95
Drive-thru #2	$1.85	$1.90	$1.95
Drive-thru #3	$0.00	$1.90	$1.95
Drive-thru #4	$0.00	$1.90	$1.95
Drive-thru #5	$0.00	$1.90	$1.95
Drive-thrus #6 & #7	$0.00	$1.90	$1.95
Drive-thrus #8, #9, & #10	$0.00	$1.90	$1.95
Drive-thrus #11, #12, & #13	$0.00	$1.90	$1.95
Mobile Café #1	$2.45	$2.50	$2.55
Mobile Café #2	$0.00	$2.50	$2.55
Mobile Café #3	$0.00	$2.50	$2.55
Mobile Café #4	$0.00	$2.50	$2.55
Web Site Sales/Premium Items	$0.00	$11.00	$12.00

Note: The Daily Perc does not include a calculation of the economics of one unit. For TDP, one unit is likely to be a cup of coffee. With an average price of $2.00 per cup (calculated value from all varieties and cup sizes) and per unit Cost of Goods Sold of $0.70, the Gross Profit Margin is $1.30 per unit.

(continued)

The Daily Perc—Sales Forecast—continued

	FY 1	FY 2	FY 3
Sales			
Drive-thru #1	$375,389	$570,000	$633,750
Drive-thru #2	$158,154	$570,000	$633,750
Drive-thru #3	$0	$522,500	$633,750
Drive-thru #4	$0	$285,000	$633,750
Drive-thru #5	$0	$0	$585,000
Drive-thrus #6 & #7	$0	$0	$877,500
Drive-thrus #8, #9, & #10	$0	$0	$877,500
Drive-thrus #11, #12, & #13	$0	$0	$438,750
Mobile Café #1	$24,500	$150,000	$168,300
Mobile Café #2	$0	$112,500	$168,300
Mobile Café #3	$0	$112,500	$168,300
Mobile Café #4	$0	$0	$168,300
Web Site Sales/Premium Items	$0	$26,400	$36,000
Total Sales	$558,043	$2,348,900	$6,022,950

	FY 1	FY 2	FY 3
Direct Unit Costs			
Drive-thru #1	$0.64	$0.61	$0.59
Drive-thru #2	$0.64	$0.61	$0.59
Drive-thru #3	$0.00	$0.61	$0.59
Drive-thru #4	$0.00	$0.61	$0.59
Drive-thru #5	$0.00	$0.61	$0.59
Drive-thrus #6 & #7	$0.00	$0.61	$0.59
Drive-thrus #8, #9, & #10	$0.00	$0.61	$0.59
Drive-thrus #11, #12, & #13	$0.00	$0.61	$0.59
Mobile Café #1	$0.64	$0.61	$0.59
Mobile Café #2	$0.00	$0.61	$0.59
Mobile Café #3	$0.00	$0.61	$0.59
Mobile Café #4	$0.00	$0.61	$0.59
Web Site Sales/Premium Items	$0.00	$6.50	$6.50
Direct Cost of Sales			
Drive-thru #1	$129,864	$183,000	$191,750
Drive-thru #2	$54,713	$183,000	$191,750
Drive-thru #3	$0	$167,750	$191,750
Drive-thru #4	$0	$91,500	$191,750
Drive-thru #5	$0	$0	$177,000
Drive-thrus #6 & #7	$0	$0	$265,500
Drive-thrus #8, #9, & #10	$0	$0	$265,500
Drive-thrus #11, #12, & #13	$0	$0	$132,750
Mobile Café #1	$6,400	$36,600	$38,940
Mobile Café #2	$0	$27,450	$38,940
Mobile Café #3	$0	$27,450	$38,940
Mobile Café #4	$0	$0	$38,940
Web Site Sales/Premium Items	$0	$15,600	$19,500
Subtotal Direct Cost of Sales	**$190,977**	**$732,350**	**$1,783,010**

6. Management and Operations Summary

The Daily Perc is a relatively flat organization. Overhead for management will be kept to a minimum and all senior managers will be "hands-on" workers. There is no intention of having a top-heavy organization that drains profits and complicates decisions.

Management designed to create a culture of equality.

Presumption that decisions will be simplified and profitability enhanced.

Owners Bart and Teresa Fisher will be actively involved in the management and operations of the sites. The founders of TDP bring a strong management and technical foundation to TDP. Terri Fisher has approximately 15 years of progressive experience at Starbucks Coffee Company, starting out as a barista and moving through the ranks to senior financial management (see Appendix 1-G for her resume). Bart Fisher brings talents and experience in retail sales and marketing, having owned and operated an advertising agency and several Krispy Kreme franchises (see Appendix 1-G for his resume). They will initially divide the overall management responsibilities, with Terri emphasizing accounting and finance and Bart leading marketing and sales. They also will be part of the staff at the Drive-thru sites.

Role of founders matched to the culture.

Background of founders identified. Pertinent details noted and readers referred to the appendices for resumes.

Division of responsibilities.

At the zenith of this three-year plan, there will be four "Executive" positions: chief operating officer, chief financial officer, chief information officer, and director of marketing. There will be other mid-management positions, such as district managers for every four Drive-thrus, and a facilities manager to oversee the maintenance and stocking of the Mobile Cafés, as well as overseeing the maintenance and replacement of equipment in the Drive-thru facilities.

Identification of executive positions.

Identification of mid-management roles and ratio of district managers to Drive-thrus.

6.1. Personnel Plan

The Daily Perc expects the first year to be rather lean, since there will only be two locations and one mobile unit—none of which will be deployed for the entire year. The total headcount for the first year, including management, administrative support, and customer service (production), will be 15, with a total payroll of $242,374, a payroll burden of $36,356, and a total expenditure of $278,730. The detailed first year personnel plan is in Appendix 1-B.

First-year plan, scaled to the startup with details included in the appendices.

The second year, with the addition of two Drive-thrus and two mobile units, The Daily Perc will add customer service personnel, as well as a district manager and some additional support staff at headquarters, including an inventory clerk, equipment technician, and administrative support.

Plan for growth in the second year with specific positions, including initial mid-management, and payroll information.

The headcount will increase by nearly 100% in the second year to 29, with a payroll of $846,050 and a payroll burden of $126,908.

The third year will see the most dramatic growth in headcount, due to the addition of nine Drive-thrus and another mobile unit. In the third year, there will also be an increase of 180% over the previous year. Total payroll for the third year will be $2,024,250, with a payroll burden of $303,638. There will be a significant increase in the senior management team, with the addition of a chief financial officer, a chief information officer, and a director of marketing. There will also be a second and third district manager, and a corporate events sales executive. Total personnel will reach 81.

Creation of senior management team and significant growth in year 3.

The chief financial officer will be brought on to oversee the increase in numbers of retail outlets and to manage a dramatically more detailed P&L statement and to manage the Balance Sheet. The chief information officer will be brought in to help us with the deployment of a point-of-sale computerized cash register system that will make tracking and managing receipts and charitable contributions more robust. Ideally, this individual will have a large amount of point-of-sale and Internet experience. Specifically, how to tie in POS systems to the Internet and inventory controls. Also, knowledge in establishing technology guidelines for the company and franchisees in the future. This individual will also be added in fiscal year three.

Descriptions of the roles of the senior managers. Proposed position descriptions could be included in the appendices.

The director of marketing will be charged with managing the relationships with advertising agencies, public relations firms, the media, and our Web site.

Provides financial details and a schedule of positions.

The Daily Perc—Personnel Plan

	FY 1	FY 2	FY 3
Drive-thru Team	$135,474	$439,250	$1,098,650
Mobile Café Team	$9,400	$172,800	$225,600
Equipment Care Specialist (Headquarters)	$0	$22,000	$77,000
Other	$0	$12,000	$24,000
District Manager (Four Drive-thrus)	$0	$22,000	$77,000
Corporate Events Sales Exec	$0	$0	$36,000
Director of Marketing	$0	$0	$72,000
Other	$0	$0	$0
Bookkeeper/Office Administrator	$24,500	$46,000	$54,000
Warehouse/Site Manager	$7,000	$42,000	$48,000
Inventory Clerk	$0	$12,000	$42,000
Other	$0	$6,000	$12,000
Chief Operating Officer	$66,000	$72,000	$78,000
Chief Financial Officer	$0	$0	$96,000
Chief Information Officer	$0	$0	$84,000
Other	$0	$0	$0
Total People	15	29	81
Total Payroll	**$242,374**	**$846,050**	**$2,024,250**

Physical locations/facilities as a competitive advantage.

Factors that determine location.

Using design to support market positioning.

Number of prospective sites is significant, making TDP more attractive to investors.

6.2. Physical Locations/Facilities

One of the most exciting aspects of The Daily Perc is the flexibility in selecting locations. The Drive-thrus are relatively small and the Mobile Cafés are just that. Site selection is based upon population demographics and traffic patterns. With a focus on the Daily Commuter and the Captive Customers, locations are well-defined. Drive-thru espresso shops will be opened in metropolitan communities with a population greater than 150,000. These facilities will be located on accessible sites with high visibility, on high-traffic commuter routes and close to shopping facilities. Each Drive-thru will be double-sided and attractively decorated. According to the previously compiled market segmentation information, TDP has calculated 2,582 venues where Mobile Cafés might be positioned.

Using technology and inventory management for product quality.

Speed and consistent flavor are quality factors affected by the new equipment.

Using trained, more highly skilled labor improves quality.

Combination of factors yields a competitive advantage.

Using economic order quantity (EOQ).

6.3. Inventory, Production, and Quality Assurance

The Daily Perc uses innovative coffee brewing technology and tight inventory controls with excellence in quality assurance. TDP has adopted a new type of coffee equipment that produces espresso drinks very rapidly with consistently excellent flavor. By having trained baristas personally take customer orders and produce hot and cold beverages, quality is increased and production errors are decreased. Because of this delivery system, customers can buy high-quality, freshly prepared beverages in less time than is required for a visit to a locally owned café or chain.

Because of the technology used and the delivery system, inventory can be controlled through economic order quantities with a computer-based reorder system. The product line is sufficiently broad to satisfy customer requests, but sufficiently narrow as to

Should reduce lead times, increase product freshness, and permit lower inventory levels.

Product line considers customer satisfaction and inventory control.

yield relatively straightforward inventory control. Coffees and teas served are all Fair Trade goods and the coffee beans are roasted locally. Bart Fisher manages the quality assurance with respect to the roasted beans. Each manager has a quality assurance manual and a test system for beverage production. Terri Fisher manages the quality assurance process for baked goods.

Specific, written quality criteria and testing methodologies used to ensure customer expectations are met or exceeded.

7. Financial Plan

The Daily Perc's financial picture is quite promising. Since TDP is operating a cash business, the initial cost is significantly less than many start-ups these days. The process is labor intensive and TDP recognizes that a higher level of talent is required. The financial investment in its employees will be one of the greatest differentiators between it and TDP's competition. For the purpose of this pro forma plan, the facilities and equipment are financed. These items are capital expenditures and will be available for financing. There will be a minimum of inventory on hand so as to keep the product fresh and to take advantage of price drops, when and if they should occur.

The Daily Perc anticipates the initial combination of investments and long-term financing of $515,000 to carry it without the need for any additional equity or debt investment, beyond the purchase of equipment or facilities. This will mean growing a bit more slowly than might be otherwise possible, but it will be a solid, financially sound growth based on customer request and product demand.

Best to articulate more detailed financial assumptions in an appendix.

7.1. Important Assumptions

The financial plan depends on important assumptions, most of which are shown in the following table. The key underlying assumptions are:

- The Daily Perc assumes a slow-growth economy, without major recession.
- The Daily Perc assumes, of course, that there are no unforeseen changes in public health perceptions of its general products.
- The Daily Perc assumes access to equity capital and financing sufficient to maintain its financial plan as shown in the tables.
- Assumptions for the first year appear in Appendix 1-C.

Showing fundamental financial assumptions in a table.

The Daily Perc—General Assumptions

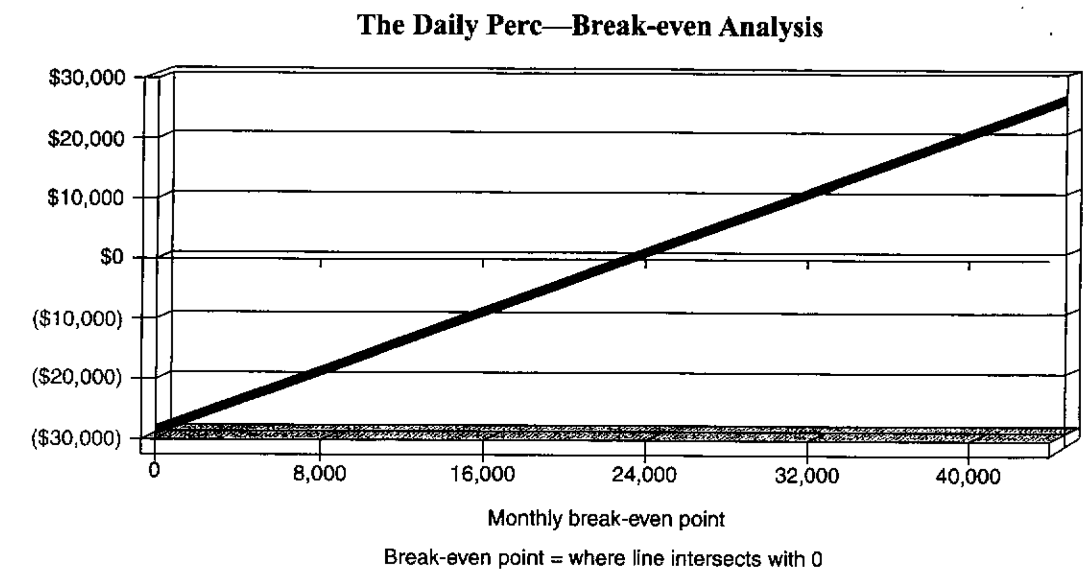
	FY 1	FY 2	FY 3
Plan Month	1	2	3
Current Interest Rate	10.00%	10.00%	10.00%
Long-term Interest Rate	9.00%	9.00%	9.00%
Tax Rate	0.00%	0.00%	0.00%
Other	0	0	0

Tax rate of 0% assumed because TDP is an LLC and taxes fall to the members.

7.2. Break-even Analysis

Break-even equals the fixed cost of operations divided by the difference between the average price per unit and the average cost per unit.

To arrive at the average monthly fixed costs, The Daily Perc calculated the fixed costs for the Drive-thru to be $28,294. Using the average price per unit, less the average cost per unit, divided into the fixed costs of operation, TDP concludes that we will need at least 23,001 units per month to reach break-even at $43,016 per month.



Simple chart that shows break-even information.

The Daily Perc—Break-even Analysis

Monthly Units Break-even	23,001
Monthly Revenue Break-even	$43,014
Assumptions:	
Average Per-Unit Revenue	$1.87
Average Per-Unit Variable Cost	$0.64
Estimated Monthly Fixed Cost	$28,294

Starting with a statement to generate interest and enthusiasm.

Describes the information contained in the income statement.

Summary data is clear and matches the figure that follows.

Refers to an appendix for in-depth data. Shortens the body of the plan and reduces confusion.

Explanation of the cost structure.

Steps to profitability.

Fulfilling the social promise (the fifth "P" of philanthropy).

Expansion plans. How TDP will grow significantly.

Increased expenses explained and positive impact still shown.

7.3. Projected Profit and Loss

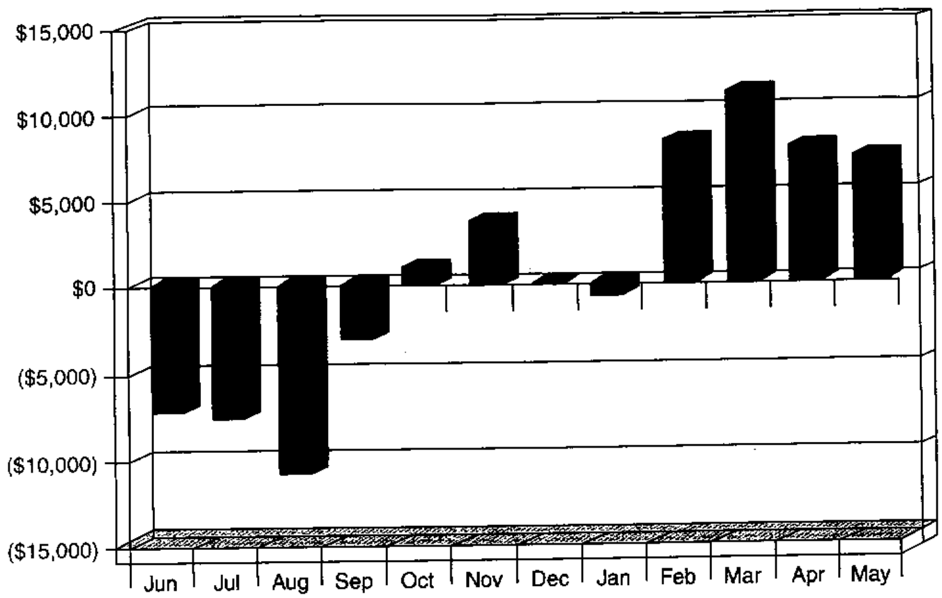
The Daily Perc is expecting some dramatic growth in the next three years, reaching $558,043 in sales and a 65.5% Gross Profit Margin by the end of the first year. Expenses during the first year leave a Net After-tax profit of $9,960, or 1.8%. Detailed profit and loss information is included in Appendix 1-D.

Aside from production costs of 34.4%, which include actual production of product and commissions for sales efforts, the single largest expenditures in the first year are in the general and administrative (G&A) area, totaling 54.7% of sales. G&A includes expenses for rents, equipment leases, utilities, and the payroll burden for all employees.

Sales increase by nearly 400% in the second year, due to the addition of two more Drive-thrus and two more Mobile Cafés, reaching a total of $2,348,900. Although operating expenses double in the second year, The Daily Perc will be able to realize a Net After-tax profit of $368,675 or 15.7% of sales. In that same year, TDP will make charitable contributions of $70,000.

The third year is when The Daily Perc has the opportunity to break into markets outside the metropolitan area. TDP will see nine additional Drive-thru facilities open in the third year, which will drive sales to $6,022,950 and, even with a 200% increase in production costs, help reach a Gross Profit Margin of 68.9%. Several expenses take substantial jumps this year—advertising increasing from $36,000 to $72,000 and donations increasing from $72,000 to $180,000—and TDP will be adding several key management team members. These increases, as well as those for increased equipment leases and rents, raise our operating expenses to $2,772,993, leaving a Net After-tax profit of $1,294,371, or 21.5% of sales.

The Daily Perc—Profit Monthly



Visual of monthly projections that are included in the appendices. Could show quarterly or first three years to be more effective.

The Daily Perc—Pro Forma Profit and Loss

	FY 1	FY 2	FY 3
Sales	$558,043	$2,348,900	$6,022,950
Direct Costs of Goods	$190,977	$732,350	$1,783,010
Sales Commissions	$1,416	$35,234	$90,344
Cost of Goods Sold	$192,393	$767,584	$1,873,354
Gross Margin	$365,650	$1,581,317	$4,149,596
Gross Margin %	65.52%	67.32%	68.90%
Expenses			
Payroll	$242,374	$846,050	$2,024,250
Sales and Marketing and Other Expenses	$0	$0	$0
Depreciation	$21,785	$92,910	$196,095
Leased Offices and Equipment	$0	$6,000	$18,000
Utilities	$9,640	$19,800	$41,100
Insurance	$12,570	$32,620	$63,910
Rent	$16,800	$50,400	$126,000
Payroll Taxes	$36,356	$126,908	$303,638
Other General and Administrative Expenses	$0	$0	$0
Total Operating Expenses	$339,525	$1,174,688	$2,772,993
Profit before Interest and Taxes	$26,125	$406,629	$1,376,603
EBITDA	$47,910	$499,539	$1,572,698
Interest Expense	$16,165	$37,954	$82,232
Taxes Incurred	$0	$0	$0
Net Profit	$9,960	$368,675	$1,294,371
Net Profit/Sales	1.78%	15.70%	21.49%

Summary of first three years. Could add quarterly values for the first year. Monthly and/or quarterly values can be in the appendices. Also called "Projected Income Statement."

Clear statement of gross margin in the financial statement is helpful in the business plan.

TDP should show advertising and other marketing expenses explicitly. Charitable contributions also should be shown.

TDP is showing a small net profit in the first year. This is unusual among start-up businesses. Do not be alarmed if you suffer a loss in year 1.

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BUSINESS PLAN

Need for monitoring cash flow mentioned and that TDP is a "cash business" is highlighted. Unlike many companies, TDP does not offer credit to its customers.

A business should not project cash shortfalls in the business plan. Debt or equity should be sufficient to compensate for any operating deficits.

Explanation of anticipated variances due to startup.

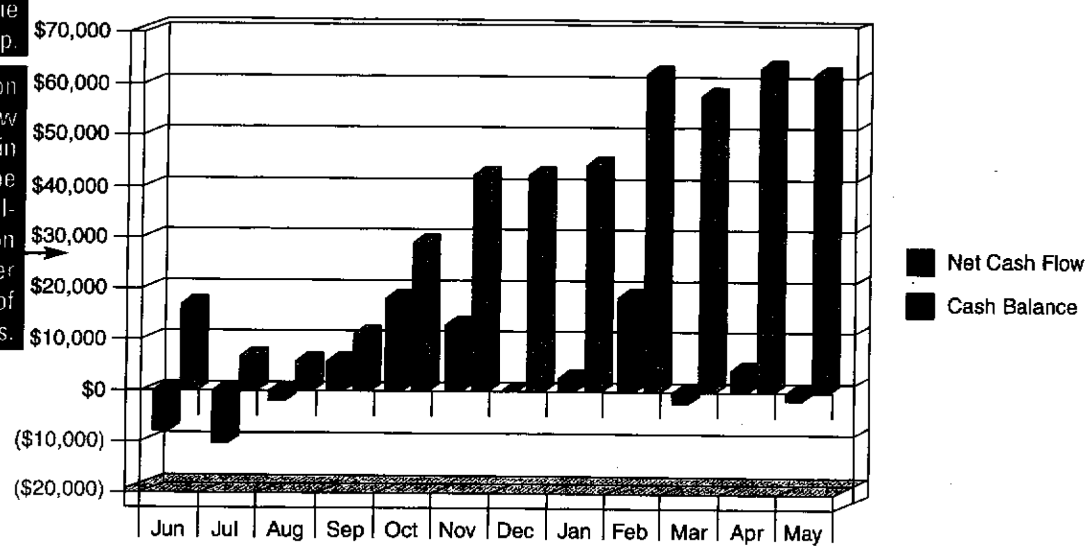
Visual representation shows that cash flow is negative in certain months, but that the cash balance is always positive and on an upward trend after just a couple of months.

7.4. Projected Cash Flow

Cash flow will have to be carefully monitored, as in any business, but The Daily Perc is also the beneficiary of operating a cash business. After the initial investment and start-up costs are covered, the business will become relatively self-sustaining, with the exception of seasonal dips, which TDP has attempted to account for through changes in the menu items.

Assuming an initial investment and financing of $515,000, which would include $25,500 of operating capital, The Daily Perc anticipates no cash flow shortfalls for the first year or beyond. March and May are the greatest cash drains, since TDP will be experiencing the cost of a second Drive-thru and mobile unit start-up. Again, TDP sees heavier than normal drains of cash in December and January, as there will be certain accounts payable coming due. A detailed pro forma cash flow for the first year of operations is included in Appendix 1-E.

The Daily Perc—Cash



The Daily Perc—Pro Forma Cash Flow

	FY 1	FY 2	FY 3
Cash Received			
Cash from Operations			
Cash Sales	$558,043	$2,348,900	$6,022,950
Subtotal Cash from Operations	$558,043	$2,348,900	$6,022,950
Additional Cash Received			
Sales Tax, VAT, HST/GST Received	$0	$0	$0
New Current Borrowing	$0	$0	$0
New Other Liabilities (Interest-free)	$0	$0	$0
New Long-term Liabilities	$181,463	$253,970	$729,992
Sales of Other Current Assets	$0	$0	$0
Sales of Long-term Assets	$0	$0	$0
New Investment Received	$0	$0	$0
Subtotal Cash Received	$739,506	$2,602,870	$6,752,942

	FY 1	FY 2	FY 3
Expenditures			
Expenditures from Operations			
Cash Spending	$242,374	$846,050	$2,024,250
Bill Payments	$240,175	$1,091,066	$2,573,382
Subtotal Spent on Operations	$482,549	$1,937,116	$4,597,632
Additional Cash Spent			
Sales Tax, VAT, HST/GST Paid Out	$0	$0	$0
Principal Repayment of Current Borrowing	$1,500	$0	$0
Other Liabilities Principal Repayment	$0	$0	$0
Long-term Liabilities Principal Repayment	$26,469	$0	$0
Purchase Other Current Assets	$0	$0	$0
Purchase Long-term Assets	$191,850	$429,700	$1,356,993
Dividends	$0	$0	$0
Subtotal Cash Spent	$702,368	$2,366,816	$5,954,625
Net Cash Flow	$37,139	$236,054	$798,317
Cash Balance	$62,639	$298,693	$1,097,010

7.5. Projected Balance Sheet

The Daily Perc's projected balance sheet shows an increase in net worth to just over $1 million in FY 3, at which point it also expects to be making 21.5% after-tax profit on sales of $6.02 million. With the present financial projections, TDP expects to build a company with strong profit potential, and a solid balance sheet that will be asset heavy and flush with cash at the end of the third year. The Daily Perc has no intention of paying out dividends before the end of the third year, using the excess cash for continued growth. The first year projected balance sheet for TDP appears in Appendix 1-F.

Cash from operations and cash sales are the same for this particular business.

TDP is anticipating that no taxes are collected on food or other sales. Some states and certain businesses will have to collect these taxes and reflect them in the cash flow.

Expansion plans include no short-term borrowing.

Borrowing for expansion.

Assuming all investment occurs before the operations begin.

Since no taxes are collected, none are paid out.

Indicates the repayment of principal on current debt. Typically, there will be some each year if there is new debt.

No principal repayment reflected in this cash flow. Normally, a portion of the long-term debt is repaid annually, so that there would be a value in each year.

This number is higher than the new long-term debt and investment total, indicating that a significant portion of the expansion will be paid through operations.

Shows a strong positive cash balance, such that TDP might even be able to reduce debt significantly if desired.

Clear statement of goal.

Investors know not to expect any dividends during this period, because TDP makes it explicit.

Shows a snapshot of the assets and liabilities at the end of each year.

Matches cash flow statement.

If TDP extended credit to its customers so that there were Accounts Receivable, it would be reflected here.

Assets at their initial value.

Depreciation accumulated over the life of the assets.

Typically, a business has a chart to record depreciation for each long-term asset.

Net value of assets after depreciation is subtracted.

Reflects trade credit that TDP receives from its suppliers.

Total long-term portion of debt remaining. Remember, each year the part of long-term debt that is due within 12 months becomes current debt.

Equity from investors.

Initial profit or loss (likely a loss due to start-up costs) plus each year's earnings.

Equals Paid-in Capital plus Retained Earnings plus Earnings (Net Profit).

Ratios match up with the path set out in the business plan.

Comparing TDP to an industry profile. Indicate which SIC or NAICS code you are comparing it to, [?] with the source of the industry data.

The Daily Perc—Pro Forma Balance Sheet

	FY 1	FY 2	FY 3
Assets			
Current Assets			
Cash	$62,639	$298,693	$1,097,010
Inventory	$35,159	$134,826	$328,252
Other Current Assets	$0	$0	$0
Total Current Assets	$97,798	$433,519	$1,425,263
Long-term Assets			
Long-term Assets	$323,250	$752,950	$2,109,943
Accumulated Depreciation	$21,785	$114,695	$310,790
Total Long-term Assets	$301,465	$638,255	$1,799,153
Total Assets	$399,263	$1,071,774	$3,224,416

	FY 1	FY 2	FY 3
Liabilities and Capital			
Current Liabilities			
Accounts Payable	$43,909	$93,775	$222,054
Current Borrowing	$7,500	$7,500	$7,500
Other Current Liabilities	$0	$0	$0
Subtotal Current Liabilities	$51,409	$101,275	$229,554
Long-term Liabilities	$286,394	$540,364	$1,270,356
Total Liabilities	$337,803	$641;639	$1,499,910
Paid-in Capital	$225,270	$225,270	$225,270
Retained Earnings	($173,770)	($163,810)	$204,865
Earnings	$9,960	$368,675	$1,294,371
Total Capital	$61,460	$430,135	$1,724,505
Total Liabilities and Capital	$399,263	$1,071,774	$3,224,416
Net Worth	$61,460	$430,135	$1,724,505

7.6. Business Ratios

Standard business ratios are included in the following table. The ratios show a plan for balanced, healthy growth. The Daily Perc's position within the industry is typical for a heavy-growth start-up company. Industry profile ratios based on the Standard Industrial Classification (SIC) code 5812, Eating Places, are shown for comparison.

Comparing the ratios in the third year with the industry, this pro forma plan appears to be within an acceptable difference margin.

TDP's return on net worth and net worth number differ from the Industry Profile due to the lack of overhead when compared to a typical walk-in café. The Drive-thru and Mobile business model is lean, thus allowing for an increased return ratio and providing a lower Net Worth.

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The Daily Perc—Ratio Analysis

	FY 1	FY 2	FY 3	Industry Profile
Sales Growth	0.00%	320.92%	156.42%	7.60%
Percent of Total Assets				
Inventory	8.81%	12.58%	10.18%	3.60%
Other Current Assets	0.00%	0.00%	0.00%	35.60%
Total Current Assets	24.49%	40.45%	44.20%	43.70%
Long-term Assets	75.51%	59.55%	55.80%	56.30%
Total Assets	100.00%	100.00%	100.00%	100.00%
Current Liabilities	12.88%	9.45%	7.12%	32.70%
Long-term Liabilities	71.73%	50.42%	39.40%	28.50%
Total Liabilities	84.61%	59.87%	46.52%	61.20%
Net Worth	15.39%	40.13%	53.48%	38.80%
Percent of Sales				
Sales	100.00%	100.00%	100.00%	100.00%
Gross Margin	65.52%	67.32%	68.90%	60.50%
Selling, General & Administrative Expenses	44.74%	30.63%	29.15%	39.80%
Advertising Expenses	3.23%	1.53%	1.20%	3.20%
Profit before Interest and Taxes	4.68%	17.31%	22.86%	0.70%
Main Ratios				
Current	1.90	4.28	6.21	0.98
Quick	1.22	2.95	4.78	0.65
Total Debt to Total Assets	84.61%	59.87%	46.52%	61.20%
Pre-tax Return on Net Worth	16.21%	85.71%	75.06%	1.70%
Pre-tax Return on Assets	2.49%	34.40%	40.14%	4.30%

	FY 1	FY 2	FY 3	
Additional Ratios				
Net Profit Margin	1.78%	15.70%	21.49%	n.a
Return on Equity	16.21%	85.71%	75.06%	n.a
Activity Ratios				
Inventory Turnover	7.02	8.62	7.70	n.a
Accounts Payable Turnover	6.47	12.17	12.17	n.a
Payment Days	27	22	21	n.a
Total Asset Turnover	1.40	2.19	1.87	n.a
Debt Ratios				
Debt to Net Worth	5.50	1.49	0.87	n.a
Current Liabilities to Liabilities	0.15	0.16	0.15	n.a
Liquidity Ratios				
Net Working Capital	$46,389	$332,244	$1,195,708	n.a
Interest Coverage	1.62	10.71	16.74	n.a
Additional Ratios				
Assets to Sales	0.72	0.46	0.54	n.a
Current Debt/Total Assets	13%	9%	7%	n.a
Acid Test	1.22	2.95	4.78	n.a
Sales/Net Worth	9.08	5.46	3.49	n.a
Dividend Payout	0.00	0.00	0.00	n.a

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Explanation of TDP's variance industry data.

High growth. TDP is starting at a low base and adding locations.

Higher than industry norms, probably because the low base requires further discussion.

This significant variance should be described in the text.

TDP is carrying a lower trade debt and current portion of long-term debt.

Described in the business plan text.

Matches the income statement.

Not detailed in the income statement.

Radical difference from the industry warrants an explanation.

Quick ratio is also radically different.

Explained in the text.

Explained in the text.

Description of the total need.

Uses the precise wording of previous sections. Reiterates the structure of the equity offering. Does not tell the sources of these in significant detail nor is there information regarding the intended or secured sources of debt financing.

8. Funding Request and Exit Strategy

8.1. Funding Request

The Daily Perc, LLC requires initial financing of $515,000 for its start-up phase without any anticipated need for additional equity or debt except for as needed to complete the purchase of additional facilities and/or equipment.

The plan calls for the sale of 100 membership units in the company to family members, friends, and Angel Investors. Each membership unit in the company is priced at $4,250, with a minimum of five units per membership certificate, or a minimum investment of $21,250 per investor.

If all funds are raised, based on the pricing established in the financial section of this plan, Bart and Terri Fisher will maintain ownership of no less than 51% of the company.

TDP offering multiple exit strategies.

Exit options that make investment more attractive. This should strengthen the business plan.

8.2. Exit Strategy

There are three scenarios for the investors and management to recover their investment—two with significant returns on each dollar invested.

Franchising strategy as a form of replication.

Scenario One:

The Daily Perc becomes extremely successful and has requests from other communities for Daily Perc operations to be opened there. This opens the door for franchising opportunity. When one looks at the wealth that has been created by the likes of McDonald's, Wendy's, Kentucky Fried Chicken, Burger King, and Taco Bell, the value of franchising a great idea cannot be dismissed. However, developing a franchise can be extremely costly, take years to develop, and be destroyed by one or two franchisees who fail to deliver the consistency or value on which the founding company had built its reputation.

Expansion strategy fueled by an IPO or private offering.

Scenario Two:

The Daily Perc chooses to become the Drive-thru version of Starbucks, obtaining several million dollars through an initial public or private offering that would allow the company to open 20 to 30 facilities per year in the region of the country between the mountain ranges, in both major and small metropolitan communities. This is the preferred Exit Strategy of the Management Team. The danger in this is that competitors would rise up and establish a foothold on a community before—or in the midst of—the arrival of The Daily Perc, causing a potential for a drain on revenues and a dramatic increase in advertising expenditures to maintain market share. Knowing these risks—and planning for them—gives TDP the edge needed to make this scenario work.

Three years is relatively quick for such a scenario.

Exit through buyout by a competitor.

Scenario Three:

By the third year, the growth and community support for The Daily Perc will have made the news in more than just the metropolitan area. It can be assumed that competitors, such as Starbucks or Quikava, will have seen the press and realized the value proposition in The Daily Perc's business plan. This will make TDP an attractive target for buyout. The company could be purchased by a much larger competitive concern by the end of the third year.

This falls within the $4 million to $9 million estimate provided earlier.

Calculation of the purchase price per unit permits the calculation of return on investment.

ROI calculation.

Taking a conservative approach to valuation and estimating that The Daily Perc would be valued at $7.5 million, and assuming that all 250 units of ownership in TDP are distributed to investors, a cash purchase of TDP would net each unit $30,000. With each unit selling at $4,250, that constitutes a Return on Investment of 705% over the three years. However, any buyout will most likely involve a cash/stock combination. A cash/stock buyout would be favorable, since the buying company would pay a higher price and the transaction would not have such severe tax consequences to the sellers.

Why a cash/stock combination is preferable.

Conclusion:

Of the three scenarios, the management team prefers Scenario #2. The same numbers would relate to a public or private offering as are used in Scenario #3, but to make an offering available, there would be a dilution of shares that would provide additional shares for sale to the new investors.

Assuming the capital acquisition described in this plan is completed, there will be 250 units of the company in the hands of investors, constituting 100% of the authorized and issued units. For purposes of future fund-raising, it will be necessary to authorize a stock split of perhaps 5,000 to one, turning the current 250 units into 1,250,000 units.

Using the balance sheet for the third year, which estimates a Net Worth of just over $1.7 million, cash balances of $1.1 million, and earnings of $1.3 million, based on thirteen Drive-thrus and four Mobile Cafés, it is not unrealistic to put a market value of $15 million to $25 million on the company. At present, such companies are trading in multiples of 20 to 30 times earnings, and it is simple mathematics to multiply the success of TDP by the number of commuter-heavy metropolitan areas in the United States.

With a corporate valuation of $7,500,000, each of the new units would have a market value of $6/unit. By authorizing an additional 750,000 units, there would be a total of 2,000,000 units with a market value of $3.75 per share. By offering the 750,000 shares at the price of $3.75 per unit, TDP would raise an additional $2,812,500 in expansion capital, which would be sufficient to open locations in an additional three to five cities.

Returned to the $7.5 million valuation from above.

Specific number of additional shares. The value ($7.5 million) divided by the total number of shares (2 million) yield the market value of $3.75 per share.

By multiplying the number of new shares (750,000) by the price per share ($3.75), TDP calculates the infusion of capital.

Using milestones to ensure measurement.

8.3. Milestones

The Milestone table reflects critical dates for occupying headquarters, launching the first Drive-thru and subsequent Drive-thrus, as well as deployment of the mobile units. The Daily Perc also defines our break-even month, our Web site launch and subsequent visitor interaction function, and other key markers that will help us measure our success in time and accomplishment.

The Daily Perc—Milestones

Milestone	Start Date	End Date	Budget	Manager	Department
Light Web Site	6/1/YR1	8/15/YR1	$5,600	COO	Mktg.
Open First Drive-thru	7/15/YR1	8/31/YR1	$105,400	COO	Admin.
First Break-even Month	12/1/YR1	12/31/YR1	$0	COO	Finance
Open Second Drive-thru	12/15/YR1	2/1/YR1	$105,400	COO	Admin.
Receive First Mobile Unit	3/1/YR1	3/30/YR1	$86,450	COO	Admin.
Launch Web Site Voting	5/1/YR1	6/1/YR1	$12,500	COO	Mktg.
Open Third Drive-thru	4/15/YR1	6/1/YR1	$105,400	COO	Admin.
Receive Second and Third Mobile Units	7/15/YR2	9/1/YR2	$172,900	COO	Admin.
Open Fourth Drive-thru	12/15/YR2	2/1/YR2	$105,400	COO	Admin.
Install Point-of-Sale System	12/1/YR2	2/1/YR2	$21,000	CIO	MIS
Occupy Headquarters	4/1/YR2	5/15/YR2	$45,000	COO	Admin.
Open Fifth Drive-thru	4/15/YR2	6/1/YR3	$105,400	COO	Admin.
Receive Fourth Mobile Unit	4/15/YR2	6/1/YR3	$86,450	Equip.	Admin.
Open Drive-thrus 6 and 7	7/15/YR3	9/15/YR3	$210,800	COO/Dir.	Mgmt.
Open Drive-thrus 8, 9, and 10	10/15/YR3	12/15/YR3	$316,200	COO/Dir.	Mgmt.
Open Drive-thrus 11, 12, and 13	1/15/YR3	3/1/YR3	$316,200	COO	Admin.
Expand to Kansas City	1/15/YR3	6/1/YR3	$176,943	COO	Mgmt.
Open First Franchise	10/31/YR3	9/1/YR4	$45,000	CFO	Finance
Initiate Exit Strategy	10/1/YR4	1/1/YR4	$100,000	CFO	Mgmt.

Appendices

The appendices for The Daily Perc business plan appear in Appendix 1.

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