



MariMed - Marijuana Business Plan

BUSINESS PLAN



Prepared By

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Executive Summary

Company Summary



TIP

MariMed is a brand of marijuana dispensary/retail store that will provide an unparalleled patient shopping experience.

Our dispensary/retail store will be located on one of the busiest streets in City California. The facility is well-positioned, and it matches the ideal picture of a community store. Although the business is launching with just one outlet in City, we have plans to open other outlets in key locations all around California.

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TIP

Aside from the dispensing of marijuana plant material and concentrates which is our core product, MariMed will sell a wide range of additional Medicinal Cannabis-Infused products such as edibles and topicals. We will also engage in the sale of accessories and supplies related to concentrate delivery methods.

MariMed dispensary/retail store will ensure that all our customers are served.

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Products & Services

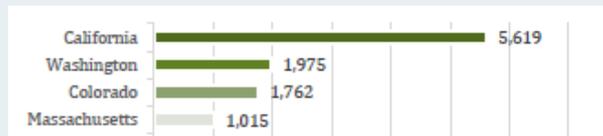
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Market Opportunities



TIP

Over 60% of the U.S. population now lives in states that have legalized some form of cannabis use and sales.



The North America legal cannabis market amounted to \$12 billion in 2018, growing by 30 percent on the year. The

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Start-up Summary

The business will be fully funded at \$0.0 million. This will include the total capital cost of over \$0.0 million, leaving nearly \$0.0 million as working capital.

Table 1. Start-up expenses

| | Quarter 1 | Quarter 2 | Quarter 3 | Quarter 4 |
|---|----------------|----------------|----------------|----------------|
| CAPEX | | | | |
| Land & Development | 0 | 0 | 0 | 0 |
| Space improvements including finishing/painting, kitchen, office space, bathrooms, etc. | 100,000 | 0 | 0 | 0 |
| Security system including multiple cameras feeds and metal/weapons detectors | 20,000 | 0 | 0 | 0 |
| Furniture, Display Counters, Refrigerators, Freezers, multiple post/ Cash Registers, Registration Computer, CommercialLabel Printer, Storage Hardware, and Shelving | 50,000 | 0 | 0 | 0 |
| Cost for Computer Software (Accounting Software, payroll software, CRM Software, Microsoft Office, QuickBooks) | 2,000 | 0 | 0 | 0 |
| OPEX | | | | |
| Direct Costs | 243,996 | 404,386 | 450,455 | 496,524 |
| Initial & GeneralCosts | 50,400 | 3,900 | 3,900 | 3,900 |
| Operating Expenses, including salaries | 83,201 | 113,949 | 127,773 | 128,221 |
| Marketing & Sales Expenses | 24,230 | 26,314 | 26,314 | 26,314 |
| Misc. | 2,707 | 4,079 | 4,102 | 4,124 |
| Total | 576,535 | 552,628 | 612,543 | 659,083 |

Financial Summary



TIP

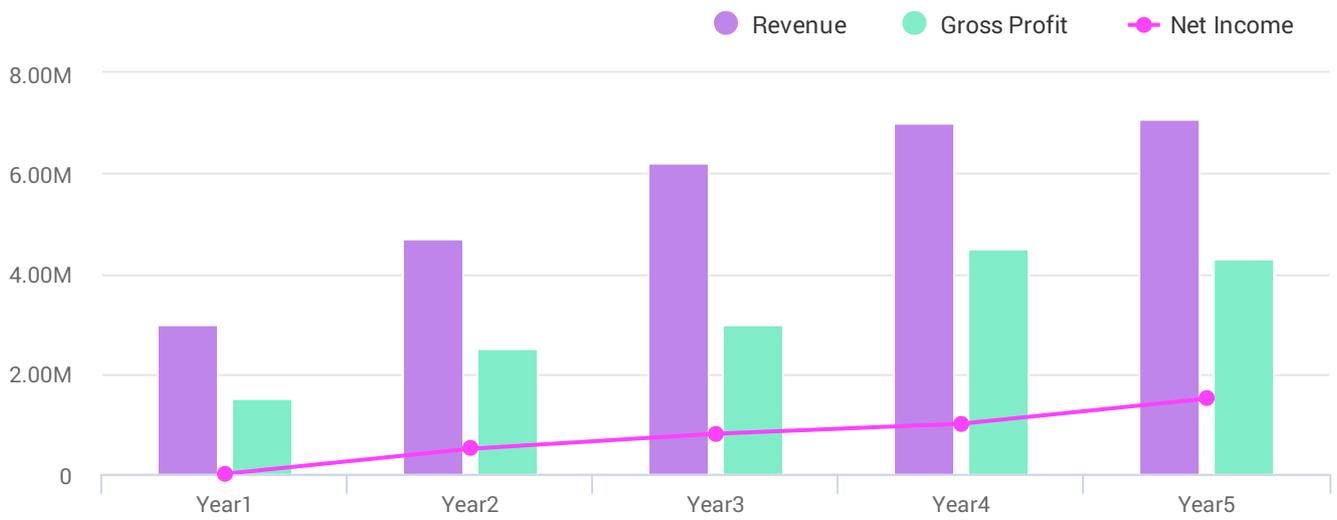
MariMed will fund its startup costs largely through personal savings and private investments.

From a total investment of \$0.0 million, MariMed is expected to generate nearly \$0.0 million in gross revenues with a net income of nearly \$0.0 million in Year 2, its first full year of operations. Revenues are expected to grow to n million in Year 3 and \$0.0 million in Year5, with net income of nearly

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Revenue & Profit Forecast



| Financial Year | Revenue | Gross Profit | Net Income |
|----------------|---------|--------------|------------|
| Year1 | 3000000 | 1500000 | 0 |
| Year2 | 4700000 | 2500000 | 500000 |
| Year3 | 6200000 | 3000000 | 800000 |
| Year4 | 7000000 | 4500000 | 1000000 |
| Year5 | 7100000 | 4300000 | 1500000 |

Cash Flow Forecast



| Financial Year | Operating Cash Flow | Ending Cash Flow |
|----------------|---------------------|------------------|
| Year1 | 40000 | 50000 |
| Year2 | 420000 | 210000 |
| Year3 | 830000 | 450000 |
| Year4 | 1100000 | 820000 |
| Year5 | 1200000 | 1300000 |

Direct and Indirect Social Impacts

The company will create more than 500+ new jobs in the country with over \$0.5 million salaries, \$0.02 Social Security taxes, \$0.01 Million Medicare taxes, and \$0.02 Million for Insurance each year. The company also intends 0.5% of sales will be allocated to the schools and different community programs.

Table 2. Taxes flow

| | Year1 | Year2 | Year3 | Year4 | Year5 |
|--------------------|---------|---------|-----------|-----------|-----------|
| Federal Tax | 527,807 | 809,493 | 1,053,356 | 1,185,449 | 1,185,449 |
| State Tax | 70,578 | 133,474 | 191,590 | 224,859 | 225,251 |
| Community Programs | 15,517 | 23,798 | 30,967 | 34,851 | 34,851 |

Market Analysis

Global Market



TIP

The global legal marijuana market amounted to \$9.5 billion in 2017, growing by 37 percent on the year, according to the report "The Road Map to a \$57 Billion Worldwide Market".

Spending on legal marijuana worldwide is expected to hit \$57 billion by 2027, while the marijuana market in the United States and Canada is estimated to be about \$46.5 billion and the other \$10.5 billion would go to other markets.

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TIP

The initial decision by many U.S. states and Canada to create medical-only marijuana regulations prompted many other countries to act similarly while legalization of adult recreational use in California and Canada triggered a second wave of legalizing laws internationally to increase access to medical marijuana.

South American countries have the most liberal medical marijuana laws.

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Key Trends

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North American Marijuana Market



TIP

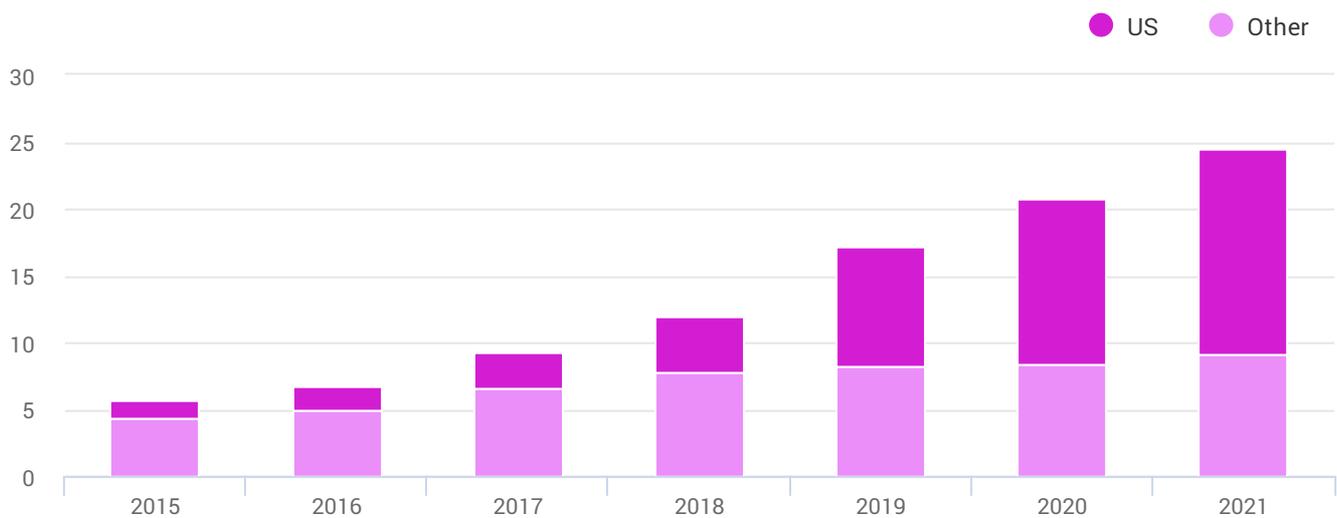
The North America legal marijuana market amounted to \$12 billion in 2018, growing by 30 percent on the year. The largest market was the United States, which totaled \$10.4 billion. It was followed by Canada with \$1.6 billion.

The report from marijuana industry analysts ArcView Market Research, in partnership with BDS Analytics4, forecasts that the entire legal marijuana market in North America to reach \$24.5 billion in sales – a 28% annual increase.

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Medical and recreational cannabis sales forecast, billion



The U.S. Marijuana Market



TIP

In 2018, 62% of Americans report supporting cannabis legalization, double what it was in 2000 (31%)⁵. Although the use of cannabis is illegal under federal law and the federal government classifies cannabis as a schedule 1 drug, more than 60% of the U.S. states have legalized it in some form. Most states legalized it only for medical purposes, but eleven states – Alaska, California, Colorado, Illinois (2019), Maine, Michigan(2018), Nevada

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U.S. marijuana Retail Market



TIP

The expected growth came after a solid 2016 when recreational marijuana sales increased by 80% to reach \$1.8 billion. Colorado and Washington led the charge, while Oregon's adult-use market posted strong sales gains in its first full calendar year of operation. The industry also saw a spike in medical marijuana sales, as patient counts rose in new states and continued climbing in mature markets.

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California marijuana Industry



TIP

In 1996, California became the first state to allow for medical marijuana use. State voters approved Proposition 215, the law that made it legal for doctors to recommend marijuana to patients.

California has 482 cities and 58 counties, all with the power to govern its own medical marijuana industries. The methods they choose vary through the state. Some local governments have rules limiting the number of st

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Legalization

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TIP

In California, the weather conditions are ideal for cultivating marijuana outside, while a lot of marijuana is also grown indoors in massive warehouses. The state's marketplace is also known for its decades-long experience developing marijuana strains. Third-generation growers and breeders have some unparalleled knowledge of the plant and of the related regulatory environment compared to other states.

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Market

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SWOT Analysis

Strengths

- The building of dependable relationships with indoor and outdoor cultivators concentrates, and edibles manufacture across northern and southern California
- Diversified, Strategic Partnerships
- Extensive industry
- Knowledge

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Weaknesses

- Enhanced risk of banking / financial / IRS scrutiny
- Lack of professional workforce for a marijuana industry
- High starting capital

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Opportunities

- High growth industry
- Growing interest and demand for natural, alternative medicine
- The trend toward greater marijuana legalization, including the use of marijuana for recreational purposes
- A significant drop in wholesale pricing
- Global Market

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Threats

- Enforcement of federal law
- Possible marijuana law changing
- Indicators of a slowed global economy
- Large companies entering the market

Marketing Strategy & Implementation

Marketing Strategy



TIP

Because marijuana is illegal under federal law, state governments and online advertising platforms are placing strict rules on how companies can market their products.

Google, Facebook, and Twitter all have advertising policies that restrict the promotion of the sale of marijuana. Google's policy prohibits ads for "substances that alter mental state for the purpose of recreation."

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Marketing Plan

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TIP

Aside from marijuana which is our core product, MariMed dispensary/retail store will retail a wide range of Medicinal marijuana Infused to customers who are based in Location and every other city where our stores will be opened. We will also engage in the sale of accessories such as pipes, lighters, apparel, etc.

MariMed dispensary/retail store will ensure that all our customers receive first-class treatment whenever they visit our store. We have CRM s

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Target Customers

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Sales Forecast



TIP

During the first year, the Company expects to generate about \$0,000,000 in revenue.

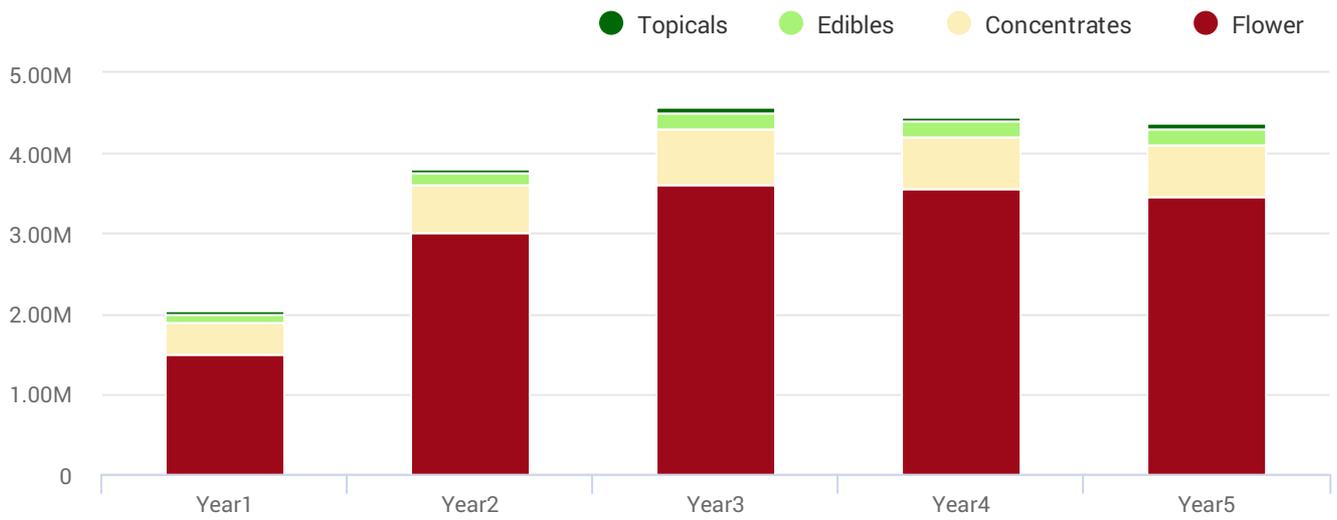
From the second year, Company will generate income from \$3,500-\$7,000 a day for the first few months with increasing to about \$20,000 a day within 1-2 years of the dispensary/retail store Grand Opening.

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Assumptions

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Sales forecast



| Financial Year | Topicals | Edibles | Concentrates | Flower |
|----------------|----------|---------|--------------|---------|
| Year1 | 50000 | 100000 | 400000 | 1500000 |
| Year2 | 60000 | 150000 | 600000 | 3000000 |
| Year3 | 70000 | 200000 | 700000 | 3600000 |
| Year4 | 50000 | 200000 | 650000 | 3550000 |
| Year5 | 60000 | 210000 | 650000 | 3450000 |

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Operating Plan

Dispensary/Retail Store Location and Facilities



TIP

The physical address of our retail shop facility will be:



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Location and Building Specifications

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TIP

A floor plan of the retail store detailing the location of the following:

- A: All entrances and exits
- B: The location of any windows, skylights, and roof hatches;
- C: The location of all cameras, the and their field of view;
- D: The location of all alarm inputs (door contacts, motion detectors)

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Floor Plan

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TIP

The main objectives of our security lighting system at the store are to illuminate dark areas and detect and recognize the movement in the protected area. The best vision with outdoor lighting is obtained from downward directed and shielded security lighting that is constantly on, supplemented with instant-on lighting triggered by motion detectors.

MariMed will ensure that sufficient lighting requirements are met by

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Lighting

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TIP

Once each facility is operational, we will employ the name of the company, a private company that will provide security guards. Uniformed armed and unarmed security personnel will be on-site monitoring the facility during hours of operation. All security personnel will be thoroughly screened, trained, and strictly supervised by our Security Department working in conjunction with the Security Consultants to ensure they are of the highest capability.

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Guards

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Physical Security Plan



TIP

We will secure the perimeter of our facilities to prevent unauthorized intrusion. With our store, we plan to use one or more of the following critical elements to secure the perimeter of our building: security fencing, security guards, and electronic surveillance (round-the-clock manned or alarmed camera surveillance and electronic intrusion detection).

The perimeter will be secured by video surveillance and adequate

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TIP

The property has a total of number common parking spaces on its premises in the front of the building with another number in the rear of the building. These spaces will easily accommodate customers' traffic. There also is an abundance of neighborhood parking in the surrounding areas in the event that parking on site is not possible.

Procedure

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Customers Access

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TIP

Movement within the facility will be tightly controlled. All main access doors, doors to the store will require key cards and electronic passcodes. In addition, customers will need to buzz in from the waiting room as described above. Only permitted employees will be allowed to enter the store.

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Internal Access-Point Control

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TIP

MariMed has limited access areas. MariMed ensures that the secured areas are accessible only to the licensee, licensee representatives, and authorized personnel, service personnel, or distributors.

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Limited Access to Secured Areas and Visitors

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TIP

We will install a comprehensive electronic security system with video surveillance/recording capability, third-party monitoring, intrusion detection, and panic buttons.

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Electronic Security System

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Video Surveillance



TIP

We will employ state-of-the-art external and internal cameras, each with a minimum resolution capacity of 1280x720 pixels. All video footage will be stored for a minimum of 90 days. Recordings are subject to inspection. This is sufficient to allow facial identification of anyone in or near the facility. Our CCTV camera system with digital recorder includes:

Insert specs

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TIP

MariMed anticipates contracting with a vendor to help deter, detect, and document security events at each facility from a remote location. The vendor will monitor for fire and for the security breach of doors or windows. Trained professionals from their monitoring centers will be able to access our security surveillance system at all times and will report and document any suspicious activity. Our internal security personnel will work with the vendor to

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Third-Party Monitoring

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TIP

Our alarm system will have motion detectors covering entryways and exits, hallways, the retail sales floor, storage rooms, and windows.

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Intrusion and Motion Detection

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TIP

We shall install, maintain, and use a professionally monitored robbery and burglary alarm system; which meet the following requirements:

- A test signal shall be transmitted to the central station every twenty-four (24) hours;
- At a minimum, the system shall provide coverage of all facilities.

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Burglary Alarm System

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TIP

Panic buttons will be installed

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Panic Buttons and Internal Communications

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TIP

The Processing Facility will comply with all local fire code requirements. Fire Prevention is a vital aspect of processing safety. As part of MariMed's commitment to the safety of our employees, we have developed a comprehensive Fire Plan to address how fires will be prevented and managed/contained if they do occur. Knowing that people are our most valuable resources, all employees will be trained and required to co

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Fire Security

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Laboratory Testing Requirements



TIP

- Untested marijuana goods cannot be sold by a retailer and must be destroyed. A retailer may not send marijuana goods to a distributor for testing.
- Untested marijuana goods manufactured or harvested before January 1, 2018, in possession of a distributor that is owned by the distributor must be destroyed.

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Packaging and Labeling Requirements



TIP

- A retailer shall not accept marijuana goods that are not properly packaged and labeled. A retailer shall not package or label marijuana goods, even if the marijuana goods were in inventory before July 1, 2018. However, for medicinal sales, retailers will place a sticker on marijuana goods stating, "FOR MEDICAL USE ONLY" upon sale to a qualified medicinal consumer, unless the statement is already printed

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THC Limits



TIP

Edible marijuana goods may not exceed 10 milligrams of THC per serving and may not exceed 100 milligrams of THC per package.

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For Edible marijuana Products

Start Writing here...



TIP

- Non-edible marijuana products shall not contain more than 1,000 milligrams of THC per package if intended for sale only in the adult-use market.
- Non-edible marijuana products shall not contain more than 2,000 milligrams of THC per package intended for sale only in the medicinal market.

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For Non-edible marijuana Products

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Organizational Structure



MariMed is a business that will be built on a solid foundation. From the outset, we have decided to recruit only qualified people to a man in various job positions in our company. We are quite aware of the rules and regulations governing the marijuana industry of which marijuana dispensing falls under which is why we decided to recruit experienced and qualified employees as foundational staff of the organization. We hope to leverage on their expertise to

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Personnel Plan

| Position | Year1 | Year2 | Year3 | Annual Salary |
|-------------------------------|-------|-------|-------|---------------|
| Operating Director | 1 | 1 | 1 | 50,000 + % |
| Admin and logistics personnel | 1 | 2 | 2 | 72,000 |
| Sales& Marketing Personnel | 1 | 3 | 5 | 60,000 |
| Security | 1 | 2 | 2 | 50,000 |

Ownership



JOHN DOE

CEO & Owner- johnd@example.com

John Doe will serve as Owner and Chief Executive of MariMed Dispensaries Inc. Mr. John will be responsible for the day to day operation of MariMed Dispensaries. Duties will include establishing relationships and negotiations with product vendors and landlords; as well as working with Realm store management in regards to sales initiatives, marketing, branding, and staff training. His efforts will ensure the Company presents the most professional and consumer-friendly brand in the Alberta retail cannabis industry.

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Financial Plan

Funding analysis

The company intends to raise \$000,000 for 5 years with an ROI of 12% and a profit share of 5%. The first repayment will start from the 11th month.

Long-term debt schedule

| | | | | | | |
|----------------------------------|---------|---------|---------|---------|---------|---------|
| Long-term Debt | 1 | 2 | 3 | 4 | 5 | 6 |
| Long-Term Debt Beginning Balance | 650,000 | 650,000 | 650,000 | 650,000 | 650,000 | 650,000 |
| Long-Term Debt Repayment | 0 | 0 | 0 | 0 | 0 | 0 |
| Long-Term Debt Ending Balance | 650,000 | 650,000 | 650,000 | 650,000 | 650,000 | 650,000 |
| ROI | 6,500 | 6,565 | 6,631 | 6,697 | 6,764 | 6,832 |
| Profit Share (Investors) | 0 | 0 | 0 | 0 | 0 | 0 |
| | | | | | | |
| Long-term Debt | 7 | 8 | 9 | 10 | 11 | 12 |
| Long-Term Debt Beginning Balance | 650,000 | 650,000 | 650,000 | 650,000 | 650,000 | 639,167 |
| Long-Term Debt Repayment | 0 | 0 | 0 | 0 | 10,833 | 10,833 |
| Long-Term Debt Ending Balance | 650,000 | 650,000 | 650,000 | 650,000 | 639,167 | 628,333 |
| ROI | 6,900 | 6,969 | 7,039 | 7,109 | 7,072 | 7,034 |
| Profit Share (Investors) | 0 | 0 | 0 | 0 | 0 | 0 |
| | | | | | | |
| Long-term Debt | 13 | 14 | 15 | 16 | 17 | 18 |
| Long-Term Debt Beginning Balance | 628,333 | 617,500 | 606,667 | 595,833 | 585,000 | 574,167 |
| Long-Term Debt Repayment | 10,833 | 10,833 | 10,833 | 10,833 | 10,833 | 10,833 |
| Long-Term Debt Ending Balance | 617,500 | 606,667 | 595,833 | 585,000 | 574,167 | 563,333 |
| ROI | 6,996 | 6,958 | 6,919 | 6,880 | 6,840 | 6,800 |
| Profit Share (Investors) | 0 | 0 | 0 | 0 | 0 | 0 |
| | | | | | | |
| Long-term Debt | 19 | 20 | 21 | 22 | 23 | 24 |
| Long-Term Debt Beginning Balance | 563,333 | 552,500 | 541,667 | 530,833 | 520,000 | 509,167 |
| Long-Term Debt Repayment | 10,833 | 10,833 | 10,833 | 10,833 | 10,833 | 10,833 |

| | | | | | | |
|----------------------------------|---------|---------|---------|---------|---------|---------|
| Long-Term Debt Ending Balance | 552,500 | 541,667 | 530,833 | 520,000 | 509,167 | 498,333 |
| ROI | 6,760 | 6,719 | 6,678 | 6,637 | 6,595 | 6,552 |
| Profit Share (Investors) | 0 | 0 | 0 | 0 | 0 | 0 |
| | | | | | | |
| Long-term Debt | 25 | 26 | 27 | 28 | 29 | 30 |
| Long-Term Debt Beginning Balance | 498,333 | 487,500 | 476,667 | 465,833 | 455,000 | 444,167 |
| Long-Term Debt Repayment | 10,833 | 10,833 | 10,833 | 10,833 | 10,833 | 10,833 |
| Long-Term Debt Ending Balance | 487,500 | 476,667 | 465,833 | 455,000 | 444,167 | 433,333 |
| ROI | 6,509 | 6,466 | 6,423 | 6,378 | 6,334 | 6,289 |
| Profit Share (Investors) | 0 | 0 | 0 | 0 | 0 | 0 |

Direct and Operating Expense Breakdown

Direct Costs

| | Year1 | Year2 | Year3 | Year4 | Year5 |
|---------------------------|------------------|------------------|------------------|------------------|------------------|
| Products Purchase | | | | | |
| Flowers | 583,779 | 1,071,133 | 1,076,365 | 1,076,365 | 1,076,365 |
| Concentrates | 225,084 | 412,990 | 415,007 | 415,007 | 415,007 |
| Edibles | 35,767 | 65,626 | 65,946 | 65,946 | 65,946 |
| Topicals | 3,700 | 6,789 | 6,822 | 6,822 | 6,822 |
| Other | 40,533 | 74,370 | 74,734 | 74,734 | 74,734 |
| Delivery Costs | | | | | |
| Delivery costs | 16,609 | 30,474 | 30,623 | 30,623 | 30,623 |
| Fuel | 5,424 | 9,951 | 10,000 | 10,000 | 10,000 |
| Other delivery costs | 0 | 0 | 0 | 0 | 0 |
| Other Direct Costs | | | | | |
| Other direct costs | 0 | 0 | 0 | 0 | 0 |
| Initial inventory | 71,588 | 0 | 0 | 0 | 0 |
| Other direct costs | 0 | 0 | 0 | 0 | 0 |
| Other direct costs | 0 | 0 | 0 | 0 | 0 |
| Taxes | | | | | |
| marijuana Business Tax | 373,701 | 685,676 | 689,025 | 689,025 | 689,025 |
| Total | 1,356,183 | 2,357,009 | 2,368,523 | 2,368,523 | 2,368,523 |

Operating Expenses

| | Year1 | Year2 | Year3 | Year4 | Year5 |
|--|----------------|----------------|----------------|----------------|----------------|
| Initial & General Costs | | | | | |
| Legal Fees & Licensing for setting up | 45,000 | 0 | 0 | 0 | 0 |
| Website/E-commerce platform development | 1,800 | 0 | 0 | 0 | 0 |
| Other Initial costs | 1,000 | 0 | 0 | 0 | 0 |
| Licensing and other legal fees (from the second year) | 0 | 30,000 | 30,000 | 30,000 | 30,000 |
| Professional Services, Commercial Insurance | 14,300 | 15,600 | 15,600 | 15,600 | 15,600 |
| Operating Expenses (retail business) | | | | | |
| Other Operating Expenses | 0 | 0 | 0 | 0 | 0 |
| Building Renting | 165,000 | 180,000 | 180,000 | 180,000 | 180,000 |
| Inventory, packaging supplies | 55,000 | 60,000 | 60,000 | 60,000 | 60,000 |
| Phone, internet and utility | 27,500 | 30,000 | 30,000 | 30,000 | 30,000 |
| Building Maintenance | 0 | 0 | 0 | 0 | 0 |
| Property Taxes | 0 | 0 | 0 | 0 | 0 |
| Community Service (% of gross receipts) | 15,517 | 23,798 | 30,967 | 34,851 | 34,851 |
| Marketing & Sales Expenses | | | | | |
| Marketing Expenses, including PR, Branding, Online and Offline advertising | 22,917 | 25,000 | 25,000 | 25,000 | 25,000 |
| Misc. | 15,012 | 16,720 | 17,078 | 17,273 | 17,273 |
| Salaries & Benefits | 270,383 | 338,218 | 372,613 | 372,613 | 372,613 |
| Total | 633,428 | 719,336 | 761,258 | 765,336 | 765,336 |

Profit & Loss Forecast

Business's revenue is projected to grow significantly for the first two years' timeframe. The early projections are in the table below:

| | Year1 | Year2 | Year3 | Year4 | Year5 |
|---|----------------|------------------|------------------|------------------|------------------|
| Revenue | 3,103,382 | 4,759,625 | 6,193,487 | 6,970,163 | 6,970,163 |
| Direct Costs | 1,595,361 | 2,446,789 | 3,183,897 | 3,583,164 | 3,583,164 |
| Gross Profit | 1,508,021 | 2,312,836 | 3,009,590 | 3,386,998 | 3,386,998 |
| % of revenue | 49% | 49% | 49% | 49% | 49% |
| Operating Expense | | | | | |
| Initial & General Costs | 62,100 | 45,600 | 45,600 | 45,600 | 45,600 |
| Operating Expenses (retail) | 263,017 | 293,798 | 300,967 | 304,851 | 304,851 |
| Sales & Marketing Expenses | 103,172 | 139,650 | 174,045 | 174,045 | 174,045 |
| Senior Management Salaries & Benefits | 127,070 | 160,510 | 160,510 | 160,510 | 160,510 |
| IT Salaries & Benefits | 0 | 0 | 0 | 0 | 0 |
| Other Salaries & Benefits | 63,058 | 63,058 | 63,058 | 63,058 | 63,058 |
| Misc. | 15,012 | 16,720 | 17,078 | 17,273 | 17,273 |
| Total Operating Expense | 633,428 | 719,336 | 761,258 | 765,336 | 765,336 |
| Operating Income (EBITDA) | 874,592 | 1,593,500 | 2,248,331 | 2,621,662 | 2,621,662 |
| % of revenue | 28% | 33% | 36% | 38% | 38% |
| Depreciation and Amortization | 9,764 | 9,764 | 9,764 | 9,764 | 9,764 |
| Earnings Before Interest & Taxes (EBIT) | 864,828 | 1,583,736 | 2,238,567 | 2,611,898 | 2,611,898 |
| Interest Expense | (66,432) | (73,853) | (71,258) | (68,245) | (63,810) |
| Earnings Before Taxes (EBT) | 798,396 | 1,509,883 | 2,167,310 | 2,543,653 | 2,548,088 |
| Income Tax | 598,385 | 942,966 | 1,244,947 | 1,410,308 | 1,410,700 |
| Net Income | 200,011 | 566,917 | 922,363 | 1,133,345 | 1,137,388 |

Cash Flow Statement

The cash flow projections show that the business will have sufficient cash to support the activity. The following table presents a view of projected cash flow of the business.

| | Year1 | Year2 | Year3 | Year4 | Year5 |
|--|-----------|-----------|-----------|-----------|-----------|
| Net Income | 200,011 | 566,917 | 922,363 | 1,133,345 | 1,137,388 |
| | | | | | |
| Cash Flow from Operations | | | | | |
| Depreciation | 9,764 | 9,764 | 9,764 | 9,764 | 9,764 |
| Change in Receivables | (165,956) | (59,744) | (59,744) | (4,979) | 0 |
| Change in Inventory | (132,860) | (48,636) | (48,636) | (6,293) | 0 |
| Change in Accounts Payable | 132,860 | 48,636 | 48,636 | 6,293 | 0 |
| Total Cash Flow from Operations | 43,819 | 516,937 | 872,383 | 1,138,130 | 1,147,152 |
| | | | | | |
| Cash Flow from Investing | | | | | |
| Capital Expenditures (CAPX) | (172,000) | 0 | 0 | 0 | 0 |
| Other | 0 | 0 | 0 | 0 | 0 |
| Total Cash Flow from Investing | (172,000) | 0 | 0 | 0 | 0 |
| | | | | | |
| Cash Flow from Financing | | | | | |
| Revolver Issuance / (Repayment) | 450,000 | 0 | 0 | 0 | 0 |
| Long-Term Debt Issuance / (Repayment) | (15,000) | (90,000) | (90,000) | (90,000) | (165,000) |
| Paid in Capital | 0 | 0 | 0 | 0 | 0 |
| Drawings (profit share) | (17,215) | (93,305) | (140,966) | (170,671) | (171,006) |
| Total Cash Flow from Financing | 417,785 | (183,305) | (230,966) | (260,671) | (336,006) |
| | | | | | |
| Total Change in Cash | 289,604 | 333,631 | 641,417 | 877,459 | 811,146 |
| Beginning Period Cash | 0 | 289,604 | 623,235 | 1,264,652 | 2,142,111 |
| Ending Period Cash | 289,604 | 623,235 | 1,264,652 | 2,142,111 | 2,953,257 |

Balance Sheet

The balance sheet shows healthy growth of net worth and a strong financial position.

| | Year1 | Year2 | Year3 | Year4 | Year5 |
|---------------------------------------|----------|-----------|-----------|-----------|-----------|
| Assets | | | | | |
| Current Assets | | | | | |
| Cash | 289,604 | 623,235 | 1,264,652 | 2,142,111 | 2,953,257 |
| Receivables | 165,956 | 225,701 | 285,445 | 290,423 | 290,423 |
| Inventory | 132,860 | 181,496 | 230,132 | 236,426 | 236,426 |
| Total Current Assets | 588,420 | 1,030,432 | 1,780,229 | 2,668,960 | 3,480,106 |
| Long Term Assets | | | | | |
| Property Plant& Equipment(PPE), gross | 172,000 | 172,000 | 172,000 | 172,000 | 172,000 |
| Accumulated Depreciation of PPE | (9,764) | (19,528) | (29,292) | (39,056) | (48,821) |
| PP&E, net | 162,236 | 152,472 | 142,708 | 132,944 | 123,179 |
| Total Assets | 750,656 | 1,182,903 | 1,922,937 | 2,801,904 | 3,603,286 |
| Liabilities | | | | | |
| Current Liabilities | | | | | |
| Accounts Payable | 132,860 | 181,496 | 230,132 | 236,426 | 236,426 |
| Total CurrentLiabilities | 132,860 | 181,496 | 230,132 | 236,426 | 236,426 |
| Long Term Liabilities | 435,000 | 345,000 | 255,000 | 165,000 | 0 |
| Total Liabilities | 567,860 | 526,496 | 485,132 | 401,426 | 236,426 |
| Equity | | | | | |
| Paid-in Capital/Drawings | (17,215) | (110,520) | (251,486) | (422,157) | (593,163) |
| Retained Earnings | 200,011 | 766,927 | 1,689,291 | 2,822,636 | 3,960,023 |
| Current Period RetainedEarnings | 182,796 | 656,407 | 1,437,805 | 2,400,478 | 3,366,860 |
| Total Equity | 182,796 | 656,407 | 1,437,805 | 2,400,478 | 3,366,860 |
| Total Liabilitiesand Equity | 750,656 | 1,182,903 | 1,922,937 | 2,801,904 | 3,603,286 |



TIP

The return on equity ratio (ROE) measures how much the owner and investors earn for their investment in the company. The higher the ratio percentage, the better the return is. In general, financial analysts consider the return on equity ratios in the 15-20% range as representing attractive levels of investment quality. As we can see ROE (DuPont) for our project is higher and draw up 30%.

Return on assets (ROA) gives an idea as to how efficient management

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Main Ratios

| | Year2 | Year3 | Year4 | Year5 | Avg. (2-5 years) |
|------------------------------|--------|-------|-------|-------|------------------|
| Return on Equity | 178.4% | 90.1% | 50.5% | 35.0% | 88.5% |
| | | | | | |
| Return on Assets | 75.0% | 63.5% | 41.8% | 31.5% | 52.9% |
| Financial Leverage | 2.24 | 1.37 | 1.17 | 1.08 | 1.46 |
| Correction Factor | 1.06 | 1.04 | 1.04 | 1.03 | 1.04 |
| | | | | | |
| Return on Assets | | | | | |
| Return on Sales | 17.6% | 21.6% | 22.0% | 22.3% | 20.9% |
| Asset turnover | 4.26 | 2.94 | 1.90 | 1.41 | 2.63 |
| | | | | | |
| Profitability | | | | | |
| Gross margin | 48.9% | 48.9% | 48.9% | 48.9% | 48.9% |
| SG&A as % of Sales | 15.0% | 11.4% | 11.0% | 10.8% | 12.0% |
| Operating Margin | 33.6% | 37.3% | 37.6% | 37.8% | 36.6% |
| Interest Expenses % of Sales | 1.8% | 1.4% | 1.3% | 1.2% | 1.5% |
| Effective Tax Rate | 41.2% | 37.4% | 37.1% | 36.9% | 38.2% |
| | | | | | |
| Asset Turnover Ratios | | | | | |
| Accounts Receivable Turnover | 24.5 | 24.7 | 24.0 | 24.0 | 24.3 |
| Inventory Turnover | 15.7 | 15.7 | 15.1 | 15.1 | 15.4 |
| Accounts Payable Turnover | 16.2 | 15.7 | 15.1 | 15.1 | 15.5 |
| Fixed asset turnover | 21.0 | 28.7 | 31.0 | 33.7 | 28.6 |
| | | | | | |
| Days Turnover Ratios | | | | | |
| Days Receivables | 14.9 | 14.8 | 15.2 | 15.2 | 15.0 |
| Days Inventory | 23.2 | 23.3 | 24.1 | 24.1 | 23.7 |

| | | | | | |
|----------------------------|-------|-------|-------|-------|--------|
| Days Payables | 22.5 | 23.2 | 24.1 | 24.1 | 23.5 |
| Net TradeCycle | 15.6 | 14.9 | 15.2 | 15.2 | 15.2 |
| | | | | | |
| Liquidity Analysis | | | | | |
| Solvency Ratio | 1.51 | 2.71 | 3.50 | 6.90 | 3.7 |
| Current Ratio | 6.72 | 11.82 | 17.46 | 22.72 | 14.7 |
| Quick Ratio | 5.72 | 10.82 | 16.46 | 21.72 | 13.7 |
| CFO-to-Current Liabilities | 5.28 | 6.89 | 6.83 | 6.90 | 6.5 |
| | | | | | |
| Interest Coverage | 18.41 | 26.96 | 28.48 | 30.59 | 26.1 |
| Cash interest coverage | 17.40 | 26.79 | 28.48 | 30.59 | 25.8 |
| | | | | | |
| DuPont Analyses | | | | | |
| | | | | | |
| Net Profit Margin | 19% | 22% | 23% | 23% | 21.8% |
| Asset Turnover | 3.17 | 2.30 | 1.61 | 1.26 | 208.6% |
| Equity Multiplier | 1.67 | 1.24 | 1.12 | 1.04 | 126.7% |
| DuPont Return on Equity | 99% | 64% | 41% | 30% | 58.6% |