

Company Name

Business Plan

Version 1

Date Prepared:

Disclaimer and Notice of Confidentiality

Insert your company's disclaimer and confidentiality notice.

Contact Information

This is the contact information for the author; including the locations of the company's direct facilities; not of all your partnerships.

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Executive Summary (2 Pages)

Overall two to three page summary of the whole business including all the subsections below. Each of the sections below is about a paragraph each. So, it really has to be a condensed description of the essence of your business. This is the bottom line of what your company is all about. Effectively writing this section is the most challenging.

Write this section last, although it will be the first thing provided in the document. Once you have written the body of the business plan, you should be able to more easily come back and write these summary sections.

- The Company – Define the business purpose. This is a one paragraph description of your business model. Provide a summary of your company's history and current status, including major milestones achieved and the outlook for the key future milestones leading to success.
- The Market - Describe the size and growth of the targeted market segment, and why it is attractive as a business opportunity. Explain who the buyer is and what compelling opportunity is. You need to start with where the market is today, and explain what more needs to be done, featuring the opportunity that you plan to address.
- Competitive Analysis – Explain who the main competitors are, why they are important, what their weaknesses are and how the company will beat them. This answers the investor question, “why will you win?”
- The Product and Services – Explain the product and services that will be delivered to solve the compelling opportunity described above. State in terms of market needs, not from the perspective a product or service. Don't dwell on the underlying technology. Mention this is patented. Explain where you are in the development of the product, and the outlook for its completion.
- Value Proposition – Show the value that the company's product and service bring to the customer, and what the benefit that the customer will receive. Again, don't explain what the technology is all about, but what measurable benefit the customer will get from using your product and service. Things like: greater revenue opportunity, a competitive advantage, reduced cost and expense and new offering that expands current revenue, should be discussed here.
- Marketing and Sales Plan – Overview of how the company will bring the product and service to market by identifying qualified customers and selling them the product or service.
- Management and Organization – Outline the executive team and highlight their qualifications to run the business. This is not their CVs. It's a short paragraph on only the top executives. Simply highlight their role in the company and relevant job history that shows why they are an excellent choice for the position. This is like two or three sentences on each member of the management team.

- Financial Summary – Summarize the main conclusions drawn from the financial statements; especially, revenue growth, date when cash flow positive, profitability, break even point, capital spending, debt, equity and the sources and uses of the funds being requested. This is literally a one paragraph job. A sentence that starts, for example, “Over the next five years, annual revenue will grow to \$Xm, resulting in a profitable business by XXX; being cash flow positive by XXX. The company is funded by an equity investment of \$Xm, and will have no debt, etc.”
- Investor Summary – Provide a short paragraph, with a bulleted list of the major reasons why someone should invest. Things like: the first in the industry, unique patented technology, high barrier to entry, significant competitive advantage, quick return on investment, are the kinds of things that should be listed. Describe the detail of what is being offered to investors and its basis.

The Company (1 page)

This is about a page that simply positions the status of the company.

- Name of company and location
- Facilities
- Incorporation status
- Employees
- Brief company history
- Quickly describe your business model so that the reader will readily understand that this is a software and services company that sells to certain buyers.
- What milestones have been achieved
- Future milestones and business objectives that will be met once funded. Your business objectives section is not sufficient. You need to get down to revenue objectives by year and say when the product will become ready for sales. Business objectives are expressed in measures of time and money. Stay away from the non-quantitative explanations of objectives. They will be perceived as academic otherwise.

The Market (4 Pages)

This section is a detailed explanation of the overall market with focus on the selected market segments the company will pursue. In this section there should be a quantitative display of the revenue opportunity over the next few years and how it will grow over that time. The major trends that drive the market should be described.

This perhaps is the most important section of the plan. It sets the foundation for the whole business model. You will have described the entire context of your business. It sets up the idea that you are addressing a compelling market need that has high value, is growing rapidly, and that there is a need for the sale of a product/service to meet the need. You will also describe all the trends and what influences the market dynamics.

- Market Demand – Within the selected market segment, describe the very important opportunity for which a product or service is needed. The problem has to be significant; convincing investors that the problem is big enough for potential customers to spend money to address it.

Market Description	Year 1	Year 2	Year 3	Year 4	Year 5
High-level (possible)	200	200	200	200	200
Addressable (target)	100	100	100	100	100
Percentage of Target Expected	1%	2%	3%	5%	7%
Expected Company Revenues	1	2	3	5	7

Make sure you highlight all sources for data and assumptions; primary interview highlights defining the market needs would also be helpful

- Market Trends – Explain the major market enablers and the macro-economic trends that have created this opportunity. Also describe the market barriers that still have to be overcome.
- The Buyer - Give details on who will actually buy the product. This should include the kind of companies, the position the buyer has within the company, their priorities, the purchasing process, operational environment and key factors in their buying decision. Profile who will be the early adopters (and why), what influence they will/may have on the buying decision of future buyers

Primary interview highlights with potential buyers/early adopters are valuable; any quotes from buyers highlighting their intent to buy your product/service (from a more formal, but non-binding Letter of Intent) would also be very powerful.

- Product and Services Requirements – Simply describe the product and service requirements that are necessary to convince the buyer to make the purchase. Again, this is not a technology description. It's simply describing what solution the buyer needs in order to satisfy the needs previously described. This description is necessary to confirm that the actual product that will be delivered will meet the expectations of the customer.

Again, any direct input from buyers highlighting their needs and how your product/service will serve their needs would be valuable. If there is already a market, you should be able to find what key industry leaders are saying is needed.

- Barriers to Entry – Explain how hard it will be for anyone to go after this market opportunity. This sets up your later description of your product/service and how you will get this market while nobody else can. Your patents will help give you a major time-to-market advantage.

The intent of describing barriers to entry is to show how hard it is going to be for someone else to do what you are going to do.

The Competition (3 Pages)

Provide a solid description of the competition that is going after the same opportunity in any way (directly or indirectly). Focus on the ones that are successful and who represent a threat to the company's success. End this section with a clear explanation of how the company will win.

Direct Competition – Describe those companies that have a direct competitive product or service. Say why they are strong and why they are weak.

Indirect Competition – Also describe companies whose products and services are broader but include a solution in their overall offering, if any.

SWOT Analysis – For each competitor, present the strengths, weaknesses, opportunities and threats (SWOT), concluding a statement of how the company will prevail in the marketplace. This analysis should be presented, or at least summarized, in a table that includes columns/rows highlighting key competitive dynamics, such as supplier relationships, buyer/distributor relationships, sales and marketing capabilities, location advantages and disadvantages, etc.

Products and Services Development/Commercialization (4 Pages)

This section provides the details of the products and services from the point of view of what capabilities the customer will have and how they will see benefit. This is not a technology education, so stay away from long descriptions of how the product works. Focus instead on what it provides the buyer. This is not a place to describe all the underlying architecture, design and technology. The description has to be from the customer's point of view and what will be delivered to them.

The outline below will present your product's capabilities in summary form.

Product/Services Overview – Provide a brief overview of what the essential problem that is addressed by the product and service and what the company provides for a solution. You are simply trying to show that the product really addresses the buyer needs previously described. You are not selling your architecture either. Stay focused on what the product does for the customer.

Product/Services Features – Outline the essential features of the product and service and how the customer will benefit from them. The sum of all these features must meet the requirements described above. Again, this is not an explanation of how it works; it's about what the product provides in functional capability, from the customer's point of view.

Proof of Concept - Provide a proof of concept of the technology/product/service. If possible support this proof with peer-to-peer assessments and/or scientific literature. Keep this section to more hard facts about deployment and industry leader statements.

Development - Provide a summary of technology/product/service development coupled with a timeline which includes but is not limited to a:

- Description of the technical components of the proposed product/service, process or capability.
- Description of related company technical facilities and systems.

Product Rollout/introduction Overview - Explain how the product will be introduced to the customer and how they put it to use.

Unique Competitive Advantages – Outline the main competitive advantages that the company brings to the table that will cause the customer to select this product instead of the competitor's. Insert comparative tables where possible.

R&D Partners - Listing of R&D partners along with their level of involvement. What is the business rationale for each partner? Why would each of them want to be involved? What are the quantifiable benefits for each of them?

Patents - Listing of all patent, copyright and trademark material, which support this proposal and the potential of intellectual property and patent protection expected for the new concept or product.

Future Products and Services – This paragraph simply points to what additional product and service opportunities become possible with the product and service and how those will be pursued in the future. This section simply points out that there are additional opportunities that will provide future growth for the company.

Marketing and Sales Plan (3 Pages)

This section needs to describe the way the company will bring the product and service to market. You have already explained the market opportunity. This section now explains how you will exploit the opportunity by showing how you will reach your buyer through an effective marketing program, how you will sell the product to the prospective buyer, and how the pricing will give you a competitive advantage.

Think of it as explaining how you are literally going to find out who they are, how you are going to contact them, what you are going to say to them, and how you are going to convince them that you have something they want.

Value Proposition – Quickly explain what value you bring your buyer. This can be a bulleted list of the major marketing messages you will be making to your buyer. These messages will be used in many ways, including marketing, sales, investor presentations and media relations. Think of it as the top reasons that what you offer is compelling to your buyer. It's explained in terms of the benefits to the buyer.

Marketing Plan – Your value proposition is the foundation of what you will be communicating to your buyer, via your marketing programs. Describe the lead generation programs that will be put in place to drive the sales activities. Use numbers to show what the productivity of these programs have to be. You need to be specific about exactly who you are going after. The more you can show that you know exactly what the sales channel looks like, the more convincing will be your story. You can even go to the extent of naming the key targeted customers and how they will be reached.

Sales Plan – Explain the sales channel and how it will be created and deployed. Again, show the productivity assumptions that will yield the revenue results that are necessary to achieve the financial projections.

Pricing Plan - Show the overall pricing strategy and the prices for the various products and services. Describe why they are competitive and represent adequate compensation for the value delivered to the customer. Be clear on who pays for what and at what times in the sales and implementation process. Investors want to know when revenue will actually convert to cash.

Alliances – Describe any key marketing and sales relationships that will be important to company operations. What is the business rationale for each player? Why would each of the players want to be involved? What are the quantifiable benefits for each of the major players?

Management and Organization (1 Page)

Give an overall description of the management structure and how it will evolve as the company matures.

Management Background – Highlight critical, relative past accomplishments of each key management team member (including critical advisors, if they add value – open markets/ access to important customers, provide unique technological/ scientific insight, etc)

Organizational Structure – Describe management positions and link qualifications to the position; highlight responsibilities and key performance metrics; describe critical management needs and plans to address those needs.

Advisors – Name the key advisors, if any, and their background in the same manner as for the management.

Financials (2 Pages)

Explain the key financial drivers and milestones. Specifically outline revenue, gross profit, net profit, cash flow summary, retained earning highlights, capital expense, debt and equity.

If your company is to be the primary owner of the new product (i.e. without the creation of a new legal entity), incremental revenues/expenses need to be clearly identifiable within any presented financial statements/projections. Ideally, separate pro-forma statements for the project itself should be presented to ensure the clear and transparent communication of financial information.

Financial Summary – Explain the main points of interest of the financial exhibits. Include key ratios and metrics the company expects and will track to measure the company's health over the next several years. I can produce all this for you if you want.

Annual Snapshot

	2004	2005	2006	2007	2008	2009
Revenue	\$0	\$1,865,000	\$16,540,000	\$60,300,000	\$115,275,000	\$170,325,000
Cost of Goods Sold	\$0	\$614,532	\$3,872,332	\$17,365,325	\$40,743,511	\$61,103,579
Gross Profit	\$0	\$1,250,468	\$12,667,668	\$42,934,675	\$74,531,489	\$109,221,421
	NA	67%	77%	71%	65%	64%
Development/Engineering	\$895,494	\$2,072,750	\$4,459,446	\$10,634,250	\$16,243,254	\$19,600,585
	NA	111%	27%	18%	14%	12%
SG&A	\$519,423	\$1,428,063	\$4,810,809	\$13,045,118	\$23,109,279	\$32,294,330
	NA	77%	29%	22%	20%	19%
EBIT	(\$1,414,917)	(\$2,250,345)	\$3,397,412	\$19,255,306	\$35,178,956	\$57,326,507
Net Income	(\$1,414,917)	(\$2,250,345)	\$3,397,412	\$11,653,203	\$21,094,182	\$34,374,406
	NA	-121%	21%	19%	18%	20%
Employees	13	32	77	181	255	314
Investment Required	\$500,000	\$5,000,000				
CAPEX	\$81,898	\$342,662	\$1,086,100	\$2,647,320	\$5,789,920	\$6,711,220
Cash Generated by Operations	(\$1,484,383)	(\$2,533,865)	\$2,502,013	\$9,564,972	\$16,624,030	\$29,935,223
Beginning Cash Balance	\$0	(\$863,541)	\$1,623,793	\$3,302,083	\$10,147,019	\$24,814,115
Ending Cash Balance	(\$863,541)	\$1,623,793	\$3,302,083	\$10,147,019	\$24,814,115	\$54,276,187
Revenue per Employee	\$0	\$58,281	\$214,805	\$333,149	\$452,059	\$542,436

Funding Plan – Describe the plan for raising funds for the company; how much, what form and use of funds. Provide the key timelines with milestones and the financing required to achieve those milestones. Ideally, a simple graphical depiction of the timelines, milestones and financing required, from start-to-finish, would be most easily understood. Show what role each partner needs to play in order to reach the milestones.

Exit Strategy – Describe how the company will accomplish an exit. For example: an acquisition or merger, an IPO, an investor buy-out. An exit plan is critical even if your company is not a VC/angel investment opportunity; how will the founders get their money out of the company – annual dividend/cash payment? Buyout?

Investor Highlights (1 Page)

This section is a quick summary of the compelling reasons why the investor should invest.

Make it a bulleted list, like:

- Unique patented technology
- First to market with trading software
- Attractive return on investment
- Significant job contribution and growth to Manitoba economy

Describe the terms of the investment:

- How much
- What form of investment
- Special terms
- Valuation of company
- Percentage being offered, if equity
- Debt terms, if a loan or grant

Risk Analysis (1 Page)

What are the primary risks affecting business success and to what degree can those risks be mitigated and/or abated?

- Delays in getting to market?
- Lack of funding?
- Lack of adoption by customers?
- Slower than anticipated adoption by customers?

Appendix 1 – Income Statement (1 Page)

Answers the question, “Over a period of time, are we profitable?”

- Used to evaluate management’s ability to “Run the Business” during a specific period
- Shows the relationship between revenues and expenses incurred to generate revenues
- Shows relationship between revenue and direct product/service costs (gross margin) and the companies ability to cover the indirect costs (net margin) that are required to support sales

Income Statement

	2004	2005	2006	2007	2008	2009
Revenues						
Custom Spectrometer	\$0	\$1,250,000	\$14,250,000	\$54,500,000	\$105,000,000	\$156,250,000
NRE	\$0	\$600,000	\$1,675,000	\$4,000,000	\$4,800,000	\$5,600,000
Support Services	\$0	\$15,000	\$615,000	\$1,800,000	\$5,475,000	\$8,475,000
Research	\$0	\$0	\$0	\$0	\$0	\$0
Total Sales	\$0	\$1,865,000	\$16,540,000	\$60,300,000	\$115,275,000	\$170,325,000
Cost of Goods						
Manufacturing/ Assembly Costs	\$0	\$589,532	\$3,587,332	\$16,275,325	\$38,643,511	\$57,978,579
Duke Royalty Fee	\$0	\$25,000	\$285,000	\$1,090,000	\$2,100,000	\$3,125,000
Total Cost of Sales	\$0	\$614,532	\$3,872,332	\$17,365,325	\$40,743,511	\$61,103,579
Gross Profit	\$0	\$1,250,468	\$12,667,668	\$42,934,675	\$74,531,489	\$109,221,421
Operating Expenses						
Research and Development Costs	\$895,494	\$2,072,750	\$4,459,446	\$10,634,250	\$16,243,254	\$19,600,585
Administrative/Sales/Mktg	\$519,423	\$1,428,063	\$4,810,809	\$13,045,118	\$23,109,279	\$32,294,330
Clinical Trials	\$0	\$0	\$0	\$0	\$0	\$0
Total Operating Expenses	\$1,414,917	\$3,500,813	\$9,270,255	\$23,679,369	\$39,352,533	\$51,894,915
Income Before Taxes	(\$1,414,917)	(\$2,250,345)	\$3,397,412	\$19,255,306	\$35,178,956	\$57,326,507
Income Taxes						
Benefit (Expense)	\$566,497	\$900,982	(\$1,360,239)	(\$7,709,343)	(\$14,084,775)	(\$22,952,100)
NOL Carryforward	(\$566,497)	(\$900,982)	(\$179,669)	\$0	\$0	\$0
Actual Tax	\$0	\$0	\$0	(\$7,602,103)	(\$14,084,775)	(\$22,952,100)
Net Income (Loss)	(\$1,414,917)	(\$2,250,345)	\$3,397,412	\$11,653,203	\$21,094,182	\$34,374,406
Retained Earnings						
Beginning	\$0	\$0	\$0	\$0	\$0	\$0
Ending	(\$1,414,917)	(\$3,665,262)	(\$267,850)	\$11,385,353	\$32,479,535	\$66,853,942

Appendix 2 – Cash Flow Statement (1 Page)

Answers the question “How was cash generated and spent?”

- How much cash did the firm generate from Operating activities (Net Income)?
- How much did the firm spend (receive) from buying (selling) businesses, property, equipment?
- How much did the firm borrow, receive from selling stock, use to pay down debt, or repurchase stock?

Cash Flow Statement

	2004	2005	2006	2007	2008	2009
Net Income (Loss)	(\$1,414,917)	(\$2,250,345)	\$3,397,412	\$11,653,203	\$21,094,182	\$34,374,406
Adjustments:						
Depreciation	\$12,432	\$59,142	\$190,701	\$559,089	\$1,319,768	\$2,272,036
Accounts Receivable	\$0	(\$250,000)	(\$1,250,000)	(\$3,375,000)	(\$2,625,000)	(\$3,750,000)
Inventory	\$0	(\$185,914)	(\$1,698,306)	(\$4,993,780)	(\$3,200,683)	\$6,820,682
Accounts Payable	\$120,842	\$457,113	\$2,124,582	\$5,648,744	\$3,868,749	(\$3,543,834)
Net Cash Flow from Operations	(\$1,281,643)	(\$2,170,004)	\$2,764,390	\$9,492,257	\$20,457,016	\$36,173,291
Investing Cash Flow	(\$81,898)	(\$342,662)	(\$1,086,100)	(\$2,647,320)	(\$5,789,920)	(\$6,711,220)
Financing Cash Flow	\$0	\$0	\$0	\$0	\$0	\$0
Net Cash Flow Before Equity	(\$1,363,541)	(\$2,512,666)	\$1,678,290	\$6,844,937	\$14,667,096	\$29,462,071
Equity Cash Flow	\$500,000	\$5,000,000	\$0	\$0	\$0	\$0
Net Cash Flow	(\$863,541)	\$2,487,334	\$1,678,290	\$6,844,937	\$14,667,096	\$29,462,071
Cash Balances						
Beginning	\$0	(\$863,541)	\$1,623,793	\$3,302,083	\$10,147,019	\$24,814,115
Ending	(\$863,541)	\$1,623,793	\$3,302,083	\$10,147,019	\$24,814,115	\$54,276,187

Appendix 3 – Balance Sheet (1 Page)

The balance sheet answers the question, “At this specific time, what resources do we have?”

- Summarizes the cumulative impact of all transactions
- Provides a snapshot of investments made and investments that have been financed
- Does NOT provide useful information regarding Operational Performance (the Income Statement provides this information)

Balance Sheet

	2004	2005	2006	2007	2008	2009				
Assets										
Current Assets:										
Cash	(\$863,541)	\$1,623,793	67%	\$3,302,083	42%	\$10,147,019	40%	\$24,814,115	49%	\$54,276,187
Accounts Receivable	\$0	\$250,000	10%	\$1,500,000	19%	\$4,875,000	19%	\$7,500,000	15%	\$11,250,000
Inventory	\$0	\$185,914	8%	\$1,884,219	24%	\$6,877,999	27%	\$10,078,682	20%	\$3,258,000
Total Current Assets	(\$863,541)	\$2,059,706	85%	\$6,686,302	84%	\$21,900,019	87%	\$42,392,797	84%	\$68,784,187
Property, Plant & Equipment										
Machinery & Equipment	\$81,898	\$424,560	18%	\$1,510,660	19%	\$4,157,980	16%	\$9,947,900	20%	\$16,659,120
Less Accumulated Depreciation	(\$12,432)	(\$71,574)		(\$262,275)		(\$821,364)		(\$2,141,132)		(\$4,413,168)
PPE Net	\$69,466	\$352,986	15%	\$1,248,385	16%	\$3,336,616	13%	\$7,806,768	16%	\$12,245,952
Other Assets	\$0	\$0		\$0		\$0		\$0		\$0
Total Assets	(\$794,075)	\$2,412,692	100%	\$7,934,687	100%	\$25,236,635	100%	\$50,199,566	100%	\$81,030,138
Liabilities & Stockholders' Equity										
Current Liabilities:										
Accounts Payable	\$120,842	\$577,955		\$2,702,537		\$8,351,281		\$12,220,030		\$8,676,197
Accrued Expenses	\$0	\$0		\$0		\$0		\$0		\$0
Interest	\$0	\$0		\$0		\$0		\$0		\$0
Other	\$0	\$0		\$0		\$0		\$0		\$0
Current Portion of Long Term Debt	\$0	\$0		\$0		\$0		\$0		\$0
Total Current Liabilities	\$120,842	\$577,955		\$2,702,537		\$8,351,281		\$12,220,030		\$8,676,197
Long Term Debt:										
Notes Payable	\$0	\$0		\$0		\$0		\$0		\$0
Less: Current Portion	\$0	\$0		\$0		\$0		\$0		\$0
Total Long Term Debt	\$0	\$0		\$0		\$0		\$0		\$0
Total Liabilities	\$120,842	\$577,955		\$2,702,537		\$8,351,281		\$12,220,030		\$8,676,197
Stockholders' Equity										
Common Stock	\$500,000	\$5,500,000		\$5,500,000		\$5,500,000		\$5,500,000		\$5,500,000
Retained Earnings	(\$1,414,917)	(\$3,665,262)		(\$267,850)		\$11,385,353		\$32,479,535		\$66,853,942
Total Stockholders' Equity	(\$914,917)	\$1,834,738		\$5,232,150		\$16,885,353		\$37,979,535		\$72,353,942
Total Liabilities & Stockholders' Equity	(\$794,075)	\$2,412,692		\$7,934,687		\$25,236,635		\$50,199,566		\$81,030,138