KWIK AND KONNECTED

Denny's Opportunity Analysis in La Crosse County

Presented for: Investors

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Executive Summary

When trying to decide whether it would be feasible to create a Denny's franchise restaurant in the La Crosse area, many aspects were analyzed and used as decision criteria. The first aspect analyzed was the industry, which revealed that consumer behavior is one the strongest drivers of fast-casual restaurants. Additionally, it was found that Denny's has a known reputation as "America's Diner" and is internationally called the local diner through the company analysis. An analysis of the labor market and customer demographics revealed the following conclusions, including target market predictions:

- Based on 2019 data, Denny's customer demographics outline a median household income of $59,857. Additionally, the median age of customers is 49.3, and of the customers, 37% have children in their household.

- Based on the conducted research, two targeted market segments were identified. The primary targeted market segment includes women ages 45-54 years old, that have children in the household. The secondary targeted market segment includes adults ages 55-64 with a median household income of about $60,000.

- Among all the occupations in La Crosse County, food preparation and serving-related occupations are among the most common in the area.

- According to long-term occupational projections, there is an expectation that 58.78% of the annual transfers will transfer into food preparation and serving-related occupations.

The location of Denny's in the La Crosse area was determined by an evaluation of key criteria. The criterion included matching demographics, accessibility to major roads, feasible price of building/land, and labor availability.

To finance this project, funds will come equally from a loan and investors. The initial investment of 2.3 million includes the land, building, permits, and other related business start-ups such as advertising, training, and inventory.

Three scenarios were projected and analyzed to assess the feasibility of the project. Expenses remained constant throughout each scenario, whereas sales were changed to display the lowest revenues, break-even point, and highest revenues of this project. Net present value was used as the determining factor to establish feasibility, therefore, the conclusion of the analyses showed that this project is feasible. Below depicts some of the key takeaways from each scenario.

- In the scenario with low revenues, the daily sales level of $2,215 was the minimum provided in the Denny's Financial Data Sheet, which resulted in a net present value of $436,708.

- The break-even point scenario illustrates that the project can lose roughly $1,000 in daily sales before hitting the break-even point. Any sales less than that will result in a negative net present value, causing the project to no longer be feasible.

- Another scenario with high revenues shows sales of $4,215 per day and provides a net present value of $2,756,511.

Multiple analyses were used in determining the feasibility of this project such as an industry and company overview, a labor market and customer demographics analysis, and financial projections for five years. Through the analyses, three scenarios were provided along with an ideal location and targeted market segments. Overall, according to the net present value of this project, it would be a feasible investment in the La Crosse area.

INTRODUCTION

Throughout this project, criteria for the placement of Denny’s were evaluated and helped determine the feasibility of this project. An analysis of the target market and labor market specific to the La Crosse area was conducted, along with the larger population of consumers that visit Denny’s. With that, we conducted an industry analysis. The analyses aided in determining the project’s feasibility and provided insights into Denny’s corporation. The findings are presented below with five years of financial projections depicting various sales and their derived expenses. One scenario illustrates low revenue from the sales stated in Denny’s Financial Data Sheet. Another scenario illustrates the break-even point, and finally, high revenue projections from the handout. After lengthy consideration, it was concluded that Denny's would be feasible.

INDUSTRY OVERVIEW

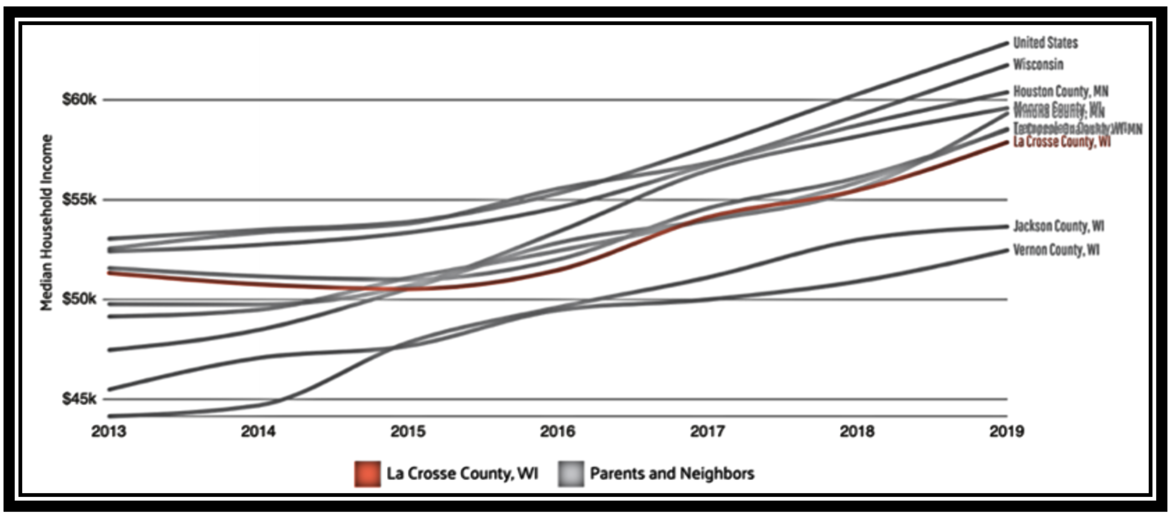


FIGURE 1: (DATA FROM THE CENSUS BUREAU ACS 5-YEAR ESTIMATE)

The fast-casual restaurant industry depends on the consumer behaviors in that area to succeed (Hiner, J. 2021, August). If the economy is doing well, then consumers will be more confident in spending money and eating out. In 2019, the median household income in La Crosse was above $55,000, allowing for a higher disposable income and consumer confidence (ACS 5-year Estimate., n.d.).

As restaurants typically draw in families with higher incomes, they must be aware of the community's average salary and how the economy is doing. Scared consumers and low-income families are not an ideal place when looking to franchise a restaurant in that county.

The fast-casual industry must also adapt quickly to the changing environment (Hiner, J. 2021, August). Environmental changes include adopting new technology such as mobile ordering or the changing regulations made by the government. Denny's has already shown their adaptability to changing consumer behaviors and technology by using TikTok for promotion (*News & media: Denny's*, n.d.). For a restaurant to stive in a community, it must show that it is adaptable to consumer trends and environmental factors.

Company Overview

Denny's is an international fast-food restaurant with most of its locations in North America. They claim themselves as "America's Diner" in the United States and as "The Local Diner" abroad. Since 1953, Denny's has been a business that prides itself on its quality, fair price, and healthy eating. Most of its locations are open 24/7, allowing traveling customers to grab a late-night meal. Denny's also prefers their restaurants to be along highways for various truckers and travelers looking for meals (*About us, Denny's*, 2022).

Target Market

The research of demographics shared below helps to identify who visits Denny's most often in the various locations around the country. By analyzing this research, the targeted market segments of Denny's were determined. Following this research, information about the demographics of cities within La Crosse County was gathered to help to determine if a location within La Crosse County would match the targeted market segments of Denny's restaurants.

Denny's Customer Demographics

Research conducted by Simmons Insights Database describes that the median household income of a person who visits Denny's most often is $59,857. With the median age of that group of people being 49.3 and 37% having children within their households (Simmons Research, 2019). Simmons Insights Database was used in making a comparison by analyzing the people who visit Denny's most often males ages 45 to 64 and females ages 45 to 64. This comparison revealed that males ages 45 to 54 are 22% less likely to visit Denny's than the U.S. 18+ population overall. On the contrary, females within the same age range are one percent more likely to visit a Denny's most often than the adult population in the United States. Females ages

55 to 64 are 18% more likely to visit Denny's than the U.S. 18+ population overall (Simmons Research, 2019). This information helps to reveal that there is a link between females ages 55 to 64 being most likely of this comparison to visiting Denny's most often. The comparison displays males from ages 45 to 54 being less likely to visit Denny's most often than the U.S. adult population. With this information, Denny's would like to target a market segment of females ages 55 to 64 and a secondary target market of females ages 45 to 54 because Denny's median age of people who visits their restaurants most often is 49.3.

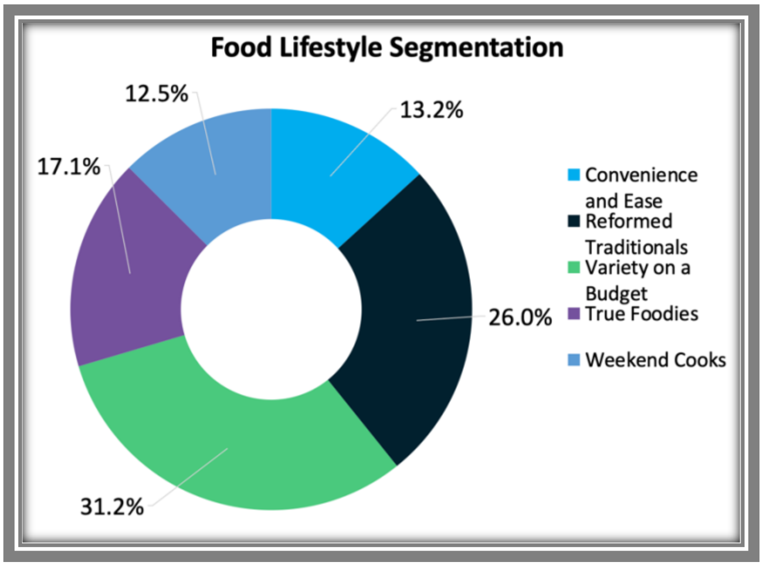


FIGURE 2: IMAGE FROM: (SIMMONS CONNECT PLUS, 2019)

Another portion of the research conducted to analyze the target market for Denny's was the food lifestyle of those who visit Denny's most often as illustrated in figure 2. The conducted research states that 26% of people who visit Denny's most often have a reformed traditional approach to their food lifestyle. This lifestyle would entail people who want to choose healthier options of food when comparing options of what to eat. Another major portion of this quick report was the 31.2% of this group of people who have a variety on a budget food lifestyle. This group of people is busy and frequently eats on the run (Simmons Connect Plus, 2019). This information helped determine a location that can be conveniently accessed from a major highway is a necessary criterion to consider. This is because the location would be convenient for Denny's customers who visit most often and are a part of the majority variety on a budget food lifestyle who need a convenient location to eat food.

Targeted Market Segments

Denny's is a versatile restaurant, which allows the company to target different market segments within their overall target market. Based on the demographic research conducted, two market segments can be identified that build into Denny's target market. One market segment for Denny's would-be mothers/female guardians that are 45 to 54 years old who have children within their households and have a median household income of around $60,000. This demographic may fall under the category of 31.2% of people in the food lifestyle research called variety on a budget. Mothers are busy and when they do not want to make food for the family at home they can “eat on the run” by stopping at Denny’s.

Another market segment that Denny’s would reach would be adults ages 54 to 65, who also have a median household income of $60,000. A portion of this population would be in the early retirement stage and may want to grab breakfast with their friends or family in their new free time of retirement.

Local Labor Market

The franchise needs to understand the local labor market before entering. In 2019, La Crosse County had roughly 5,000 of its labor force working in food preparation and service-related occupations (ACS 5-year Estimate., n.d.). As a firm seeks to add a franchise in La Crosse, they know that they have a strong labor market in the food industry, coming up forth in the most popular occupations according to Census Bureau ACS 5-year Estimate [Figure 3].

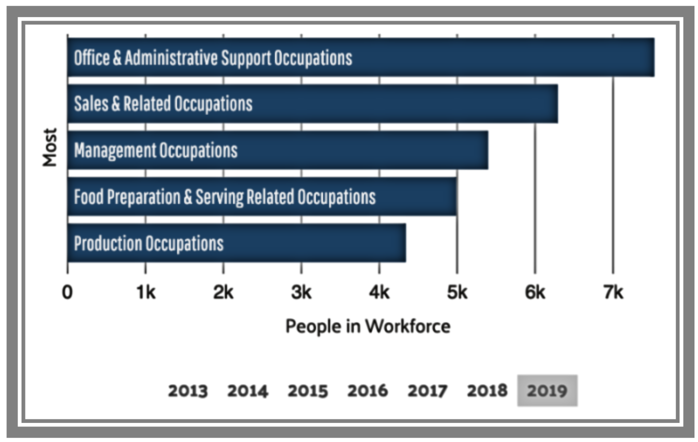


FIGURE 3: (DATA FROM THE CENSUS BUREAU ACS 5-YEAR ESTIMATE)

According to the U.S. Bureau of Labor Statistics, the labor force within the La Crosse-Onalaska area has increased over the past few months. Employment in La Crosse-Onalaska has been high over the years before 2020. In 2020, due to the pandemic, the employment level dropped but has been recovering. On the other hand, unemployment and the unemployment rate have been low but jumped during 2020, however, they have decreased since 2020 (U.S. Bureau of Labor Statistics. 2022, March 16).

Restaurant Service Industry Jobs

The jobs that Denny’s needs to plan to hire for when starting a new restaurant would be hiring a restaurant crew which would include jobs like a dishwashing/service assistant, host/hostess, cook, and server. They also need to hire managerial positions like a restaurant manager and a general manager (Restaurant management jobs, n.d.). WisConomy outlines that among waiters and servers of restaurants the average entry-level salary for La Crosse County is $8.48 per hour, the "average" level position pays $13.26 per hour and an experience position pays $15.65 per hour on average (MyLMI, n.d.). These numbers are critical to note because this is a labor expense to include when projecting financial budgets. WisConomy also outlines in their 2018 – 2028 major group long-term occupational projections that within the food preparation and serving related occupations, they expect that 58.78% of the annual transfers will transfer into the industry. This research provides data that supports the notion that restaurant industry jobs will be expanding within the upcoming years (MyLMI, n.d.).

Location Determination

The demographics and lifestyles of the residents in upper La Crosse, WI near Onalaska, WI fit those of the people who visit Denny's most often based on research conducted. The research emphasizes age, the population size of the city, and the income levels of its residents as important factors. In Onalaska, according to the U.S. Census Bureau, as of April 1st, 2020, the population was 18,803. La Crosse, WI has a population of 52,680 (*U.S. Census Bureau Quickfacts: La Crosse, WI, and Onalaska, WI, 2020). If* the land for Denny's was placed on the edge of both La Crosse and Onalaska, this would allow the franchise to gain customers from the populations of both cities, due to proximity. The median income per household is similar to the income of the people that visit Denny's most often and is $66,295 (U.S. Census Bureau QuickFacts, 2020).

Surrounding George St where the land is located, according to Wisdot Traffic Counts, there is a high inflow of traffic counts stemming from the highway nearby [Referenced in Appendix A]. as well as the street from the ramp nearby that area connecting to Rose St. The high level of traffic counts off the highway leading to Rose St. Are stemming from the number of restaurants located near Rose St. Like Culvers, Toppers, Señor Villa, and Nutbush City Limits (*Wisdot Traffic Counts*, n.d.). This location is a convenient location for Denny's to be placed based on the high traffic count on Highway 90. The place will also be easily accessible to drivers nearby, and the other restaurants nearby bring in the wanted traffic count.

Criteria for Choosing a Location

Locations in Question	1. Matching Demographics	2. Accessibility to major road	3. Feasible price of building/land	4. Available Labor
Downtown La Crosse, WI		☑		☑
3270 N Kinney Coulee Rd, Onalaska, WI	☑	☑		☑
☆ 3215 George St, La Crosse, WI	☑	☑	☑	☑

As the table above displays, based on the research conducted for this study, the best location to place a Denny's based on the criteria was 3215 George St, La Crosse, WI because this location fits each criterion outlined by the research. The criterion in the table is listed with a number describing importance (1 being most important and 4 being least important).

Financial Feasibility

Three different scenarios with five years of financial projections are provided below. Given that the cost of living in Wisconsin is below average, the use of the average expenses provided in the financial handout represents a standard expense level for the La Crosse area (2022, BestPlaces.net). The first scenario depicts the projections using the low sales of the range given in Denny's Financial Data Sheet. This scenario shows that creating a Denny's in the specified location would be feasible within the first five years of operations. The second scenario illustrates projections with the break-even sales as given in the range provided in the datasheet (Financial Sheet). Finally, the third scenario depicts the highest revenue.

Due to the various start-up costs of this project, $2,352,000 will be financed equally from investors and a loan. The initial investment comes from the $625,000 cost of land, $400,000 for equipment and furnishings, and the $965,000 cost of the building. Furthermore, an additional

$125,000 was included for the first three months of operations. For other start-up costs such as the franchising fee, advertising, and training, please see Appendix C.

LOW REVENUE

In the scenario where the property at 3215 George St, La Crosse, WI has lowest revenue, it is reasonable to add a Denny's. This project shows that if Denny's is placed in La Crosse, it is expected to have enough revenue to cover its expenses and pay back its loan within five years. As all else is held constant throughout the financials, for this scenario, low end of sales is $2,215 (Financial Sheet). Sales of $808,475, from multiplying the lowest sales by 365 days, increase by 5.2% each year (Hiner, J. 2021, August). For more information, refer to Appendix F. The financial projections show that with average revenue, Denny's will have a positive net present value and be able to pay off the loan within five years. When looking at low revenue, this is a feasible scenario for Denny's to be added to La Crosse County.

FCFs - Low Revenue	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
EBIT(1-T)	-	101,739	111,227	121,209	131,710	142,758
Depreciation & Amortization	-	91,000	91,000	91,000	91,000	91,000
Capital expense	(2,352,000)	-	-	-	-	-
Change in NWC	82,412	470,674	425,825	416,999	414,837	419,533
FCF	$ (2,269,588)	$ 663,413	$ 628,052	$ 629,209	$ 637,548	$ 653,291
NPV, IRR, PP	$ 436,708	13% 3.52 Years				

BREAK-EVEN POINT

This scenario is finding out just how bad sales revenue would have to be for a net present value of zero. Just decreasing the revenue from average sales shows the buffer the investors would have from the feasible scenario. Sales are used as the independent variable because most operating expenses are a function of sales. Also, sales are the metric that is most likely to change during certain seasons or consumer trends. Looking at Appendix G, the daily sales of $1,025.275, which translates to a net loss every year of the projections, caused the net present value of this scenario to be zero (Financial Sheet). This is the tangent, where if sales were any lower the project is not feasible. This shows that there is a $1,189.73 per day buffer before the project would be unfeasible.

FCFs - Break-Even Point	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
EBIT(1-T)	-	3,729	8,121	12,741	17,602	22,715
Depreciation & Amortization	-	91,000	91,000	91,000	91,000	91,000
Capital expense	(2,352,000)	-	-	-	-	-
Change in NWC	82,412	435,065	440,675	432,622	431,272	436,823
FCF	$ (2,269,588)	$ 529,794	$ 539,796	$ 536,363	$ 539,874	$ 550,538
NPV, IRR, PP	$ (0)	6%	5.43 Years			

High Revenue

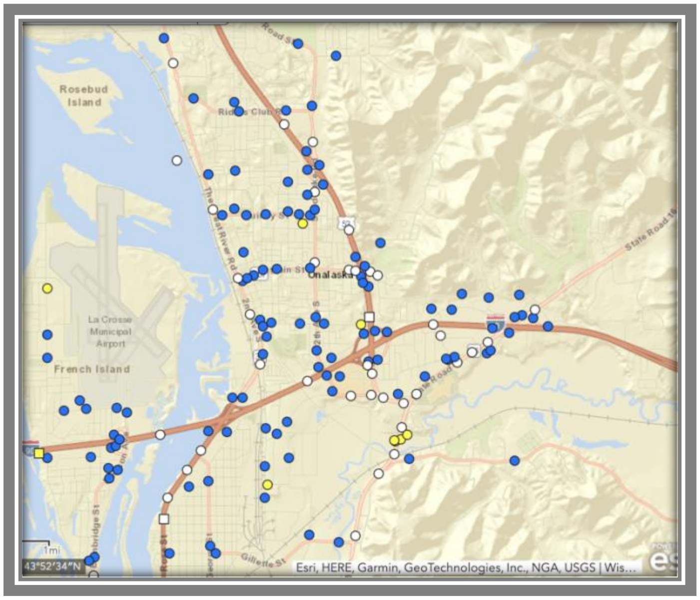
After noting that Denny's would be feasible in the initial scenario, the scenario illustrating the highest sales is also feasible. The statements in this scenario reflect the projected numbers using the higher end of the average daily sales range. More specifically, if Denny's can recognize $4,215 of daily sales for one year, they would have total sales of $1,538,475. After all expenses and depreciation, Denny's would have a positive net income of $169,529. Furthermore, this scenario provides a positive net present value of $2,756,511, making it feasible. Additional financials for this scenario are provided in Appendix H.

FCFs - High Revenue	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
EBIT(1-T)	-	266,500	284,556	303,551	323,534	344,556
Depreciation & Amortization	-	91,000	91,000	91,000	91,000	91,000
Capital expense	(2,352,000)	-	-	-	-	-
Change in NWC	82,412	530,534	625,482	791,799	973,887	1,172,415
High Revenue	$ (2,269,588)	$ 888,034	$ 1,001,038	$ 1,186,350	$ 1,388,421	$ 1,607,970
NPV, IRR, PP	$ 2,756,511	39%	2.32 Years			

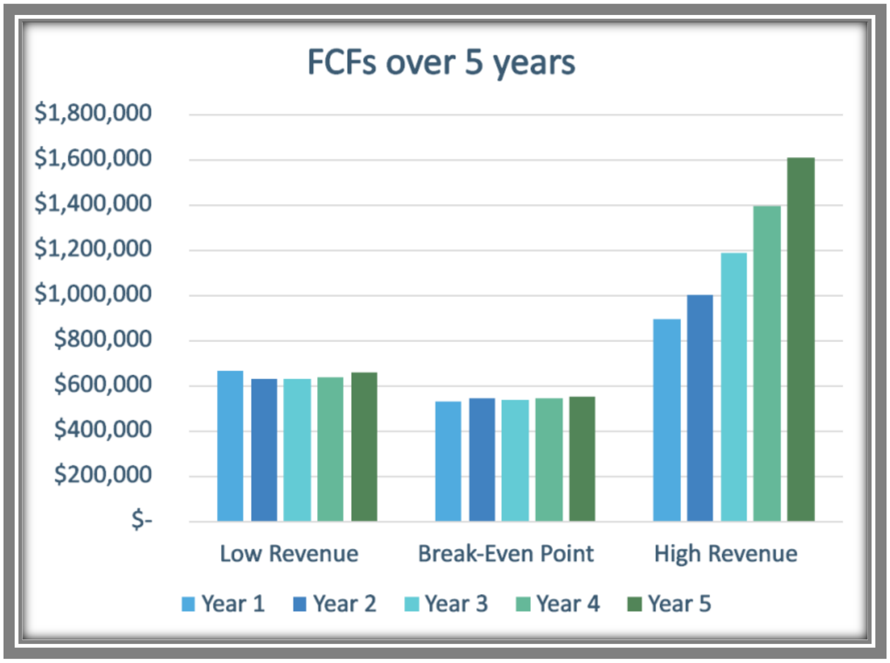
Conclusion

After analyzing whether to add a Denny's to La Crosse County, the example provided is feasible and will meet profitability goals within five years. Three possible scenarios helped determine whether it is feasible or not. The first projection has low revenue, the second one is the break-even point, and the last showed high revenue. When looking at the financial projections, capital budgeting determines whether to accept the project. After analyzing each scenario, the net present value was positive while all falling roughly within the five-year payback period. Each financial projection is feasible evidence to add a Denny's to La Crosse County. However, the projection with high revenue would be the best case since it estimates the highest net present value and shortest payback period. By gathering information from each scenario, it is feasible to add a Denny's to La Crosse to meet profitability goals within five years.

Appendix A: WisDot traffic counts



Appendix B: Free Cash Flows



APPENDIX C: INITIAL INVESTMENT

Financing	Cash Inflow	Cash Outflow	Low Revenue	Break-Even Point	High Revenue
Loans (5-7) yrs	$ 1,176,000.00	Land	625,000	625,000	625,000
Investors	$ 1,176,000.00	Equipment/Fixtures/Furnishings	400,000	400,000	400,000
		Franchising Fee	30,000	30,000	30,000
		Advertising Fee	4,000	4,000	4,000
		Employee training costs	18,000	18,000	18,000
		Building and improvements	965,000	965,000	965,000
		Architectural design	45,000	45,000	45,000
		Standard enterprise technology platform	32,500	32,500	32,500
		Opening inventory and supplies	25,000	25,000	25,000
		Insurance	17,500	17,500	17,500
		Security deposit	12,500	12,500	12,500
		Soft costs (permit & surveying)	52,500	52,500	52,500
		Additional funds - 3 months	125,000	125,000	125,000
		Total	$ 2,352,000	$ 2,352,000	$ 2,352,000

Appendix D: Financial Assumptions

Assumptions	Numbers	Citations	Equations
Sale Increase	5.20%	(Hiner, J. 2021, August)	-
Repairs and Maintenance	2%	(Denny's Corporation, (n.d.)	-
Accounts Payable	2.75%	(Financial Sheet)	-
Depreciation of Fixed Assets	$ 9,100	(Financial Sheet)	(Land+equipment)/15
Accounts Receivable	-	(Two Weeks out of the Year)	Sales*(1/26)
Inventory (Includes supplies) Increase	5.20%	(Hiner, J. 2021, August)	Inventory*1.52
Cash	Plug	(Financial Sheet)	-
Sales Projection for Year 1 (Low Revenue)	$ 808,475	(Financial Sheet)	2,215*365
Sales Projection for Year 1 (Break-Even Point)	$ 374,225	(Financial Sheet)	Lowest number to get NPV 0
Sales Projection for Year 1 (High Revenue)	$ 1,538,475	(Financial Sheet)	4,215*365
Cost of Goods Sold	-	(Financial Sheet)	Sales*.3
Salaries and Wages	-	(Financial Sheet)	Sales*.3
Interest Rate	9.75%	(Financial Sheet)	6.5+3.25
Initial Investment	$ 1,176,000	(Financial Sheet)	-
Franchise Fees	$ 30,000	(Financial Sheet)	-
Royalty Fees	-	(Financial Sheet)	Gross sales*.045
Advertising Fees	-	(Financial Sheet)	Gross sales*.03
Employee Training Fees	$ 18,000	(Financial Sheet)	-
Insurance	$ 17,500	(Franchise Direct)	Same every year
Internet/Phone	$ 600	(Communications, C. (n.d.).)	Same every year
Income Tax Rate	26%	(Financial Sheet)	-
Land (Median Site Improvements + Land)	$ 625,000	(OfficeSpace, 2016, August 5)	150,000 + 475,000
Permit Fee	-	(Commercial, Industrial and Instituional. (n.d.))	($.66 per Square Foot, Sunk Cost)
Additional Funds	$ 125,000	(Franchise Direct)	Same every year
Architectural Design	$ 15,000	(Franchise Direct)	Took off $30,00 for civil engineering
Equipment	$ 400,000	(Franchise Direct)	Same every year

Appendix E: Loan Amortization Schedule

Loan Amount	$ 1,176,000			
Loan Terms	7	years		
Annual Int. Rate	9.75%			
Payment	$ 239,572			
				Balance
	Payment	Interest Expense	Principal	$ 1,176,000
Year 1	$ 239,572	$ 114,660	$ 124,912	$ 1,051,088
Year 2	239,572	102,481	137,091	913,997
Year 3	239,572	89,115	150,457	763,540
Year 4	239,572	74,445	165,127	598,413
Year 5	239,572	58,345	181,227	417,186
Year 6	239,572	40,676	198,896	218,290
Year 7	239,572	21,283	218,289	1

Appendix F: Low Revenue Scenario

Income Statement - Low Revenue	Year 1	Year 2	Year 3	Year 4	Year 5
Sales	808,475	850,516	894,743	941,269	990,215
Cost of Goods Sold (30%)	242,543	255,155	268,423	282,381	297,065
Gross Profit	$ 565,933	$ 595,361	$ 626,320	$ 658,888	$ 693,151
Operating Expenses					
Salaries and Wages (30%)	242,543	255,155	268,423	282,381	297,065
Advertising (3%)	24,254	25,515	26,842	28,238	29,706
Royalty Fee (4.5%)	36,381	38,273	40,263	42,357	44,560
Repairs and Maintenance (2%)	16,170	17,010	17,895	18,825	19,804
Insurance	17,500	17,500	17,500	17,500	17,500
Internet/Phone	600	600	600	600	600
Total Operating Expenses	$ 337,448	$ 354,054	$ 371,523	$ 389,901	$ 409,235
EBITDA	228,485	241,307	254,796	268,987	283,916
Depreciation	91,000	91,000	91,000	91,000	91,000
EBIT	137,485	150,307	163,796	177,987	192,916
Interest Expense	114,660	102,481	89,115	74,445	58,345
Income Before Taxes	22,825	47,826	74,682	103,542	134,570
Taxes	5,934	12,435	19,417	26,921	34,988
Net Income (Loss)	$ 16,890	$ 35,391	$ 55,264	$ 76,621	$ 99,582

Balance Sheet - Low Revenue	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
Assets						
Current Assets						
Cash (plug)	393,500	441,474	432,854	430,849	435,645	447,422
Accounts Receivable	-	31,095	32,712	34,413	36,203	38,085
Inventory	25,000	26,300	27,668	29,106	30,620	32,212
Prepaid Assets	17,500	17,904	17,925	17,947	17,971	17,995
Total Current Assets	436,000	516,773	511,159	512,316	520,438	535,714
Fixed Assets						
Land	625,000	625,000	625,000	625,000	625,000	625,000
Buildings	965,000	965,000	965,000	965,000	965,000	965,000
Less: Accummlated Depreciation	-	64,333	128,667	193,000	257,333	321,667
Equipment	400,000	400,000	400,000	400,000	400,000	400,000
Less: Accumulated Depreciation	-	26,667	53,333	80,000	106,667	133,333
Total Fixed Assets	1,990,000	1,899,000	1,808,000	1,717,000	1,626,000	1,535,000
Total Assets	$ 2,426,000	$ 2,415,773	$ 2,319,159	$ 2,229,316	$ 2,146,438	$ 2,070,714
Liabilities & Owner's Equity						
Current Liabilities						
Accounts Payable	-	22,233	23,389	24,605	25,885	27,231
Wages Payable	-	31,095	32,712	34,413	36,203	38,085
Sales Tax Payable	-	44,466	46,778	49,211	51,770	54,462
Short-Term Notes Payable	124,912	137,091	150,457	165,127	181,227	198,896
Total Current Liabilities	124,912	234,885	253,337	273,356	295,084	318,674
Long-Term Liablities						
Notes Payable	1,051,088	913,997	763,540	598,413	417,186	218,290
Total Long-Term Liabilities	1,051,088	913,997	763,540	598,413	417,186	218,290
Total Liabilities	$ 1,176,000	$ 1,148,882	$ 1,016,877	$ 871,769	$ 712,270	$ 536,964
Owner's Equity						
Contribution by Owners	1,250,000	1,250,000	1,250,000	1,250,000	1,250,000	1,250,000
Retained Earnings	-	16,890	52,282	107,546	184,167	283,749
Total Owner's Equity	1,250,000	1,266,890	1,302,282	1,357,546	1,434,167	1,533,749
Total Liabilities & Owner's Equity	$ 2,426,000	$ 2,415,773	$ 2,319,159	$ 2,229,316	$ 2,146,438	$ 2,070,714

Appendix G: Break-Even Point Scenario

Income Statement - Break-Even Point	Year 1	Year 2	Year 3	Year 4	Year 5
Sales	374,225	393,685	414,157	435,693	458,349
Cost of Goods Sold (30%)	112,268	118,106	124,247	130,708	137,505
Gross Profit	$ 261,958	$ 275,580	$ 289,910	$ 304,985	$ 320,844
Operating Expenses					
Salaries and Wages (30%)	112,268	118,106	124,247	130,708	137,505
Advertising (3%)	11,227	11,811	12,425	13,071	13,750
Royalty Fee (4.5%)	16,840	17,716	18,637	19,606	20,626
Repairs and Maintenance (2%)	7,485	7,874	8,283	8,714	9,167
Insurance	17,500	17,500	17,500	17,500	17,500
Internet/Phone	600	600	600	600	600
Total Operating Expenses	$ 165,919	$ 173,606	$ 181,692	$ 190,199	$ 199,148
EBITDA	96,039	101,974	108,218	114,786	121,696
Depreciation	91,000	91,000	91,000	91,000	91,000
EBIT	5,039	10,974	17,218	23,786	30,696
Interest Expense	114,660	102,481	89,115	74,445	58,345
Income Before Taxes	(109,621)	(91,507)	(71,897)	(50,659)	(27,649)
Taxes	(28,502)	(23,792)	(18,693)	(13,171)	(7,189)
Net Income (Loss)	$ (81,120)	$ (67,715)	$ (53,204)	$ (37,488)	$ (20,460)

Balance Sheet - Break-Even Point	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
Assets						
Current Assets						
Cash (plug)	393,500	441,474	432,854	430,849	435,645	447,422
Accounts Receivable	-	14,393	15,142	15,929	16,757	17,629
Inventory	25,000	26,300	27,668	29,106	30,620	32,212
Prepaid Assets	17,500	17,687	17,697	17,707	17,718	17,729
Total Current Assets	436,000	499,854	493,360	493,591	500,740	514,992
Fixed Assets						
Land	625,000	625,000	625,000	625,000	625,000	625,000
Buildings	965,000	965,000	965,000	965,000	965,000	965,000
Less: Accumulated Depreciation	-	64,333	128,667	193,000	257,333	321,667
Equipment	400,000	400,000	400,000	400,000	400,000	400,000
Less: Accumulated Depreciation	-	26,667	53,333	80,000	106,667	133,333
Total Fixed Assets	1,990,000	1,899,000	1,808,000	1,717,000	1,626,000	1,535,000
Total Assets	$ 2,426,000	$ 2,398,854	$ 2,301,360	$ 2,210,591	$ 2,126,740	$ 2,049,992
Liabilities & Owner's Equity						
Current Liabilities						
Accounts Payable	-	10,291	10,826	11,389	11,982	12,605
Wages Payable	-	14,393	15,142	15,929	16,757	17,629
Sales Tax Payable	-	20,582	21,653	22,779	23,963	25,209
Short-Term Notes Payable	124,912	137,091	150,457	165,127	181,227	198,896
Total Current Liabilities	124,912	182,358	198,078	215,224	233,929	254,339
Long-Term Liablities						
Notes Payable	1,051,088	913,997	763,540	598,413	417,186	218,290
Total Long-Term Liabilities	1,051,088	913,997	763,540	598,413	417,186	218,290
Total Liabilities	$ 1,176,000	$ 1,096,355	$ 961,618	$ 813,637	$ 651,115	$ 472,629
Owner's Equity						
Contribution by Owners	1,250,000	1,250,000	1,250,000	1,250,000	1,250,000	1,250,000
Retained Earnings	-	(81,120)	(148,835)	(202,039)	(239,526)	(259,986)
Total Owner's Equity	1,250,000	1,168,880	1,101,165	1,047,961	1,010,474	990,014
Total Liabilities & Owner's Equity	$ 2,426,000	$ 2,265,235	$ 2,062,783	$ 1,861,598	$ 1,661,589	$ 1,462,642

Appendix H: High Revenue Scenario

Income Statement - High Revenue	Year 1	Year 2	Year 3	Year 4	Year 5
Sales	1,538,475	1,618,476	1,702,636	1,791,174	1,884,315
Cost of Goods Sold (30%)	461,543	485,543	510,791	537,352	565,294
Gross Profit	$ 1,076,933	$ 1,132,933	$ 1,191,846	$ 1,253,821	$ 1,319,020
Operating Expenses					
Salaries and Wages (30%)	461,543	485,543	510,791	537,352	565,294
Advertising (3%)	46,154	48,554	51,079	53,735	56,529
Royalty Fee (4.5%)	69,231	72,831	76,619	80,603	84,794
Repairs and Maintenance (2%)	30,770	32,370	34,053	35,823	37,686
Insurance	17,500	17,500	17,500	17,500	17,500
Internet/Phone	600	600	600	600	600
Total Operating Expenses	$ 625,798	$ 657,398	$ 690,641	$ 725,614	$ 762,404
EBITDA	451,135	475,535	501,204	528,208	556,616
Depreciation	91,000	91,000	91,000	91,000	91,000
EBIT	360,135	384,535	410,204	437,208	465,616
Interest Expense	114,660	102,481	89,115	74,445	58,345
Income Before Taxes	245,475	282,054	321,089	362,763	407,271
Taxes	63,823	73,334	83,483	94,318	105,890
Net Income (Loss)	$ 181,651	$ 208,720	$ 237,606	$ 268,444	$ 301,380

Balance Sheet - High Revenue	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
Assets						
Current Assets						
Cash (plug)	393,500	666,095	833,916	1,017,527	1,217,591	1,434,790
Accounts Receivable	-	59,172	62,249	65,486	68,891	72,474
Inventory	25,000	26,300	27,668	29,106	30,620	32,212
Prepaid Assets	17,500	18,269	18,309	18,351	18,396	18,442
Total Current Assets	436,000	769,836	942,142	1,130,471	1,335,498	1,557,918
Fixed Assets						
Land	625,000	625,000	625,000	625,000	625,000	625,000
Buildings	965,000	965,000	965,000	965,000	965,000	965,000
Less: Accumulated Depreciation	-	64,333	128,667	193,000	257,333	321,667
Equipment	400,000	400,000	400,000	400,000	400,000	400,000
Less: Accumulated Depreciation	-	26,667	53,333	80,000	106,667	133,333
Total Fixed Assets	1,990,000	1,899,000	1,808,000	1,717,000	1,626,000	1,535,000
Total Assets	$ 2,426,000	$ 2,668,836	$ 2,750,142	$ 2,847,471	$ 2,961,498	$ 3,092,918
Liabilities & Owner's Equity						
Current Liabilities						
Accounts Payable	-	42,308	44,508	46,823	49,257	51,819
Wages Payable	-	59,172	62,249	65,486	68,891	72,474
Sales Tax Payable	-	84,616	89,016	93,645	98,515	103,637
Short-Term Notes Payable	124,912	137,091	$150,457	165,127	181,227	198,896
Total Current Liabilities	124,912	323,187	346,231	371,080	397,890	426,826
Long-Term Liablities						
Notes Payable	1,051,088	913,997	763,540	598,413	417,186	218,290
Total Long-Term Liabilities	1,051,088	913,997	763,540	598,413	417,186	218,290
Total Liabilities	$ 1,176,000	$ 1,237,184	$ 1,109,770	$ 969,493	$ 815,076	$ 645,116
Owner's Equity						
Contribution by Owners	1,250,000	1,250,000	1,250,000	1,250,000	1,250,000	1,250,000
Retained Earnings	-	181,651	390,371	627,978	896,422	1,197,802
Total Owner's Equity	1,250,000	1,431,651	1,640,371	1,877,978	2,146,422	2,447,802
Total Liabilities & Owner's Equity	$ 2,426,000	$ 2,668,836	$ 2,750,142	$ 2,847,471	$ 2,961,498	$ 3,092,918

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