

Business Plans Handbooks

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# Steak House

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1845 Steakhouse

777 Franklin St.

Buffalo, New York 14202

*BizPlanDB.com*

*1845 Steakhouse is a New York-based corporation that will develop a restaurant that will serve steak, chops, and other American-based cuisine in the Buffalo, New York metropolitan area.*

## **1.0 EXECUTIVE SUMMARY**

The purpose of this business plan is to raise \$175,000 for the development of a steak house while showcasing the expected financials and operations over the next three years. 1845 Steakhouse is a New York-based corporation that will develop a restaurant that will serve steak, chops, and other American-based cuisine. The Company was founded by Tyler Austin.

### **1.1 The Restaurant**

1845 Steakhouse intends to serve a wide variety of entrees that will be of American origin. These entrees include steak, chops, seafood, and related dishes.

Additionally, the business will offer a wide variety of alcoholic beverages, which Management expects will generate a significant portion of the Company's revenues and profits.

### **1.2 Financing**

Mr. Austin is seeking to raise \$175,000 from as a bank loan. The interest rate and loan agreement are to be further discussed during negotiation. This business plan assumes that the business will receive a 10 year loan with a 9% fixed interest rate. The financing will be used for the following:

- Development of the location
- Financing for the first six months of operation
- Capital to purchase kitchen equipment
- Working capital

Mr. Austin will contribute \$25,000 to the venture.

### **1.3 Mission Statement**

Mr. Austin's mission is to provide customers with an outstanding line of American cuisine dishes with a focus on steak while concurrently remaining within the letter of the law regarding the sale of food and alcohol in the State of New York.

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### **1.4 Management Team**

The Company was founded by Tyler Austin. Mr. Austin has more than 10 years of experience in the food service industry. Through his expertise, he will be able to bring the operations of the business to profitability within its first year of operations.

### **1.5 Sales Forecasts**

Mr. Austin expects a strong rate of growth at the start of operations. Below are the expected

financials over the next three years.

### Proforma profit and loss (yearly)

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Proforma profit and loss (yearly)			
Year	1	2	3
Sales	\$710,790	\$781,869	\$860,056
Operating costs	\$343,912	\$356,898	\$370,495
EBITDA	\$126,680	\$160,753	\$198,921
Taxes, interest, and depreciation	\$ 74,144	\$ 80,623	\$ 94,407
Net profit	\$ 52,536	\$ 80,130	\$104,514

### Sales, operating costs, and profit forecast

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## 1.6 Expansion Plan

Mr. Austin expects that the business will aggressively expand during the first three years of operation. He intends to implement marketing campaigns that will effectively target individuals within the target market of Buffalo, New York and the surrounding communities. Mr. Austin may also seek to increase the number of locations he owns after the fifth year of operations.

## 2.0 COMPANY AND FINANCING SUMMARY

### 2.1 Registered Name and Corporate Structure

1845 Steakhouse is registered as a corporation in the State of New York.

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### 2.2 Required Funds

At this time, the Mr. Austin requires \$175,000 of debt funds. Below is a breakdown of how these funds will be used:

## Projected startup costs

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### Projected startup costs

Initial lease payments and deposits	\$ 25,000
Working capital	\$ 40,000
FF&E	\$ 20,000
Leasehold improvements	\$ 35,000
Security deposits	\$ 15,000
Insurance	\$ 5,000
Kitchen equipment	\$ 45,000
Marketing budget	\$ 10,000
Miscellaneous and unforeseen costs	\$ 5,000
<b>Total startup costs</b>	<b>\$200,000</b>

## Use of funds

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### 2.3 Investor Equity

Mr. Austin is not seeking an investment from a third party at this time.

### 2.4 Management Equity

Tyler Austin owns 100% of 1845 Steakhouse.

### 2.5 Exit Strategy

If the business is very successful, Mr. Austin may seek to sell the business to a third party for a significant earnings multiple. Most likely, the Company will hire a qualified business broker to sell the business. Based on historical numbers, the business could fetch a sales premium of up to 5 to 7 times earnings.

## **3.0 RESTAURANT PRODUCTS**

Below is a description of the products offered by 1845 Steakhouse.

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### **3.1 Steak and American Cuisine**

As stated in the executive summary, the primary focus of 1845 Steakhouse will be the sale of aged steaks and American cuisine products throughout the restaurant's location. The Company will offer an expansive menu of steaks, chops, seafood, and related cuisine, which will include vegetarian items such as grilled stir-fry and other cooked entrees. The Company will also provide a number of appetizers. The preliminary pricing schedule for the business can be found in the fifth section of the business plan.

### **3.2 Beverages**

The Company will serve a wide variety of liquors and alcoholic beverages that are available on the menu. The specialty drinks offered by the restaurant include a number of cocktails. These drinks are primary rum, vodka, and liqueur drinks that combine a number of sweet and flavored mixes. Depending on the size and alcohols used for the beverages, prices of these cocktails range from \$5 to \$8 per serving.

The business will also serve bottled waters, sodas, and other non-alcoholic beverages.

## **4.0 STRATEGIC AND MARKET ANALYSIS**

### **4.1 Economic Outlook**

This section of the analysis will detail the economic climate, the restaurant industry, the customer profile, and the competition that the business will face as it progresses through its business operations.

Currently, the economic market condition in the United States is in recession. This slowdown in the economy has also greatly impacted real estate sales, which has halted to historical lows. Many economists expect that this recession will continue until mid-2010, at which point the economy will begin a prolonged recovery period.

### **4.2 Industry Analysis**

There over 600,000 restaurants and eateries in the United States. Gross annual receipts total more than \$172 billion dollars per year. It is one of the country's largest grossing industries. The industry also employs over ten million people, and generates an average annual payroll of more than \$34 billion dollars per year.

As the country has become significantly wealthier of the last ten years, more and more Americans are eating out. Time has also become a concern for the average American family. Studies have shown that more than 40% of American families eat out at least one night per week. Americans, on the whole, have also become much busier. More and more families now have two incomes, and as such, the tradition of staying at home and cooking meals is vanishing. 1845 Steakhouse will seek to capitalize on this trend by providing American cuisine entrees to its customers.

Among these establishments, Management anticipates that 30,000 restaurants offer steak as their food genre.

### **4.3 Customer Profile**

The 1845 Steakhouse's average customer will be a middle to upper middle class man or woman living in the Company's targeted market. Common traits among clients will include:

- Annual household income exceeding \$40,000
- Lives or works no more than 20 miles from 1845 Steakhouse
- Will spend \$25 to \$35 per visit (per person)

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There are approximately 1 million people living within Erie County. Among these people, median family income is \$48,522. Given the very high population density of the area, 1845 Steakhouse should be able to remain profitable in most economic climates.

### **4.4 Competition**

New York is renowned for having a number of steak houses that have been in operation for several decades. As such, it is imperative that the business create an atmosphere that clearly differentiates itself from famous competitors. Management intends to accomplish this task by combining the sale of classic steak entrees with a modern setting.

## **5.0 MARKETING PLAN**

Mr. Austin intends to maintain an extensive marketing campaign that will ensure maximum visibility for the business in its location. Below is an overview of the marketing strategies and objectives that Mr. Austin will use once he launches 1845 Steakhouse.

### **5.1 Marketing Objectives**

- Implement a local campaign with the Company's targeted market via the use of flyers, local newspaper advertisements, and word of mouth advertising.
- Hire a public relations firm to provide reviews and articles about the Company's grand opening.

## 5.2 Marketing Strategies

Mr. Austin intends on using a number of marketing strategies that will allow 1845 Steakhouse to easily target men and women within targeted market. These strategies include traditional print advertisements and discounts offered as a part of a grand opening campaign. Below is a description of how the business intends to market its services to the general public.

The Company also intends on hiring a local public relations firm that will promote reviews and articles about the restaurant, its steak and American cuisine, and relevant hours of operation and pricing. Mr. Austin will invite local food critics to 1845 Steakhouse in order to generate positive publicity about the restaurant.

The Company will maintain a sizable amount of print and traditional advertising methods within local the local market to promote the American cuisine products that the Company is selling. At the onset of operations, the Company will distribute an expansive number of coupons for lower priced fare within local circulars.

## 5.3 Pricing

Management anticipates that the business will generate approximately \$35 per person for an entre e. If alcohol is served, Management expects that the total per person revenues generated for a meal will range from \$45 to \$55.

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# 6.0 ORGANIZATIONAL PLAN AND PERSONNEL SUMMARY

## 6.1 Corporate Organization

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## 6.2 Organizational Budget

### Personnel plan—yearly

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	Personnel plan—yearly		
Year	1	2	3
Owner	\$ 40,000	\$ 41,200	\$ 42,436

Chefs	\$105,000	\$108,150	\$111,395
Wait staff	\$ 40,000	\$ 41,200	\$ 42,436
Busing staff	\$ 25,000	\$ 25,750	\$ 26,523
Administrative	\$ 20,000	\$ 20,600	\$ 21,218
<b>Total</b>	<b>\$230,000</b>	<b>\$236,900</b>	<b>\$244,007</b>

#### **Numbers of personnel**

Owner	1	1	1
Chefs	3	3	3
Wait staff	4	4	4
Busing staff	2	2	2
Administrative	1	1	1
<b>Totals</b>	<b>11</b>	<b>11</b>	<b>11</b>

#### **Personnel expense breakdown**

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## **7.0 FINANCIAL PLAN**

### **7.1 Underlying Assumptions**

The Company has based its proforma financial statements on the following:

- 1845 Steakhouse will have an annual revenue growth rate of 10% per year.
- The Owner will acquire \$175,000 of debt funds to develop the business.
- The loan will have a 10 year term with a 9% interest rate.

### **7.2 Sensitivity Analysis**

In the event of an economic downturn, the business may have a decline in its revenues. However, 1845 Steakhouse will generate substantial gross margins from its food and beverage sales, and despite a decrease in top line income, the business will be able to remain profitable and cash flow



positive.

## 7.3 Source of Funds

### Financing

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#### Financing

##### Equity contributions

Management investment \$ 25,000.00

**Total equity financing \$ 25,000.00**

##### Banks and lenders

Banks and lenders \$175,000.00

**Total debt financing \$175,000.00**

**Total financing \$200,000.00**

## 7.4 General Assumptions

### General assumptions

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#### General assumptions

Year	1	2	3
Short term interest rate	9.5%	9.5%	9.5%
Long term interest rate	10.0%	10.0%	10.0%
Federal tax rate	33.0%	33.0%	33.0%
State tax rate	5.0%	5.0%	5.0%
Personnel taxes	15.0%	15.0%	15.0%

## 7.5 Profit and Loss Statements

### Proforma profit and loss (yearly)

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Proforma profit and loss (yearly)			
Year	1	2	3
<b>Sales</b>	<b>\$710,790</b>	<b>\$781,869</b>	<b>\$860,056</b>
Cost of goods sold	\$240,198	\$264,218	\$290,640
Gross margin	66.21%	66.21%	66.21%
<b>Operating income</b>	<b>\$470,592</b>	<b>\$517,651</b>	<b>\$569,416</b>
<b>Expenses</b>			
Payroll	\$230,000	\$236,900	\$244,007
General and administrative	\$ 9,000	\$ 9,360	\$ 9,734
Marketing expenses	\$ 15,637	\$ 17,201	\$ 18,921
Professional fees and licensure	\$ 5,000	\$ 5,150	\$ 5,305
Insurance costs	\$ 15,000	\$ 15,750	\$ 16,538
Travel and vehicle costs	\$ 7,500	\$ 8,250	\$ 9,075
Rent and utilities	\$ 25,000	\$ 26,250	\$ 27,563
Miscellaneous costs	\$ 2,275	\$ 2,502	\$ 2,752
Payroll taxes	\$ 34,500	\$ 35,535	\$ 36,601
<b>Total operating costs</b>	<b>\$343,912</b>	<b>\$356,898</b>	<b>\$370,495</b>
<b>EBITDA</b>	<b>\$126,680</b>	<b>\$160,753</b>	<b>\$198,921</b>
Federal income tax	\$ 41,804	\$ 48,353	\$ 61,331
State income tax	\$ 6,334	\$ 7,326	\$ 9,293

Interest expense	\$ 15,291	\$ 14,230	\$ 13,069
Depreciation expenses	\$ 10,714	\$ 10,714	\$ 10,714
<b>Net profit</b>	<b>\$ 52,536</b>	<b>\$ 80,130</b>	<b>\$104,514</b>
<b>Profit margin</b>	<b>7.39%</b>	<b>10.25%</b>	<b>12.15%</b>

## Sales, operating costs, and profit forecast

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## 7.6 Cash Flow Analysis

### Proforma cash flow analysis—yearly

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Proforma cash flow analysis—yearly				
Year	1	2	3	
Cash from operations	\$ 63,251	\$ 90,844	\$115,228	
Cash from receivables	\$ 0	\$ 0	\$ 0	
<b>Operating cash inflow</b>	<b>\$ 63,251</b>	<b>\$ 90,844</b>	<b>\$115,228</b>	
<b>Other cash inflows</b>				
Equity investment	\$ 25,000	\$ 0	\$ 0	
Increased borrowings	\$175,000	\$ 0	\$ 0	
Sales of business assets	\$ 0	\$ 0	\$ 0	
A/P increases	\$ 1,700	\$ 1,955	\$ 2,248	
<b>Total other cash inflows</b>	<b>\$201,700</b>	<b>\$ 1,955</b>	<b>\$ 2,248</b>	
<b>Total cash inflow</b>	<b>\$264,951</b>	<b>\$ 92,799</b>	<b>\$117,476</b>	

### Cash outflows

Repayment of principal	\$ 11,311	\$ 12,372	\$ 13,533
A/P decreases	\$ 1,600	\$ 1,920	\$ 2,304
A/R increases	\$ 0	\$ 0	\$ 0
Asset purchases	\$150,000	\$ 9,084	\$ 11,523
Dividends	\$ 44,275	\$ 63,591	\$ 80,660
<b>Total cash outflows</b>	<b>\$207,186</b>	<b>\$ 86,967</b>	<b>\$108,019</b>
<b>Net cash flow</b>	<b>\$ 57,764</b>	<b>\$ 5,832</b>	<b>\$ 9,457</b>
<b>Cash balance</b>	<b>\$ 57,764</b>	<b>\$63,596</b>	<b>\$ 73,053</b>

### Proforma cash flow (yearly)

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## 7.7 Balance Sheet

### Proforma balance sheet—yearly

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	Proforma balance sheet—yearly		
Year	1	2	3
Assets			
Cash	\$ 57,764	\$ 63,596	\$ 73,053
Amortized expansion costs	\$ 85,000	\$ 85,908	\$ 87,061
Kitchen equipment	\$ 45,000	\$ 51,813	\$ 60,455
FF&E	\$ 20,000	\$ 21,363	\$ 23,091

Accumulated depreciation (\$ 10,714) (\$ 21,429) (\$ 32,143)

**Total assets**                    **\$197,050 \$201,252 \$211,518**

**Liabilities and equity**

Accounts payable            \$ 100 \$ 135 \$ 79

Long term liabilities        \$163,689 \$151,317 \$138,945

Other liabilities             \$ 0 \$ 0 \$ 0

**Total liabilities**                **\$163,789 \$151,452 \$139,024**

**Net worth**                        **\$ 33,261 \$ 49,800 \$ 72,493**

**Total liabilities and equity** **\$197,050 \$201,252 \$211,518**

**Proforma balance sheet**

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**7.8 Breakeven Analysis**

**Monthly break even analysis**

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**Monthly break even analysis**

Year	1	2	3
Monthly revenue	\$ 43,288	\$ 44,922	\$ 46,634
Yearly revenue	\$519,450	\$539,065	\$559,602

**Break even analysis**

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## 7.9 Business Ratios

### Business ratios—yearly

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Business ratios—yearly			
Year	1	2	3
<b>Sales</b>			
Sales growth	00.00%	10.00%	10.00%
Gross margin	66.20%	66.20%	66.20%
<b>Financials</b>			
Profit margin	7.39%	10.25%	12.15%
Assets to liabilities	1.20	1.33	1.52
Equity to liabilities	0.20	0.33	0.52
Assets to equity	5.92	4.04	2.92
<b>Liquidity</b>			
Acid test	0.35	0.42	0.53
Cash to assets	0.29	0.32	0.35

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## 7.10 Three Year Profit and Loss Statement

### Profit and loss statement (first year)

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Profit and loss statement (first year)							
Months	1	2	3	4	5	6	7

<b>Sales</b>	<b>\$53,650</b>	<b>\$54,665</b>	<b>\$55,680</b>	<b>\$56,695</b>	<b>\$57,710</b>	<b>\$58,725</b>	<b>\$59,740</b>
Cost of goods sold	\$18,130	\$18,473	\$18,816	\$19,159	\$19,502	\$19,845	\$20,188
Gross margin	66.2%	66.2%	66.2%	66.2%	66.2%	66.2%	66.2%
<b>Operating income</b>	<b>\$35,520</b>	<b>\$36,192</b>	<b>\$36,864</b>	<b>\$37,536</b>	<b>\$38,208</b>	<b>\$38,880</b>	<b>\$39,552</b>
<b>Expenses</b>							
Payroll	\$19,167	\$19,167	\$19,167	\$19,167	\$19,167	\$19,167	\$19,167
General and administrative	\$ 750	\$ 750	\$ 750	\$ 750	\$ 750	\$ 750	\$ 750
Marketing expenses	\$ 1,303	\$ 1,303	\$ 1,303	\$ 1,303	\$ 1,303	\$ 1,303	\$ 1,303
Professional fees and licensure	\$ 417	\$ 417	\$ 417	\$ 417	\$ 417	\$ 417	\$ 417
Insurance costs	\$ 1,250	\$ 1,250	\$ 1,250	\$ 1,250	\$ 1,250	\$ 1,250	\$ 1,250
Travel and vehicle costs	\$ 625	\$ 625	\$ 625	\$ 625	\$ 625	\$ 625	\$ 625
Rent and utilities	\$ 2,083	\$ 2,083	\$ 2,083	\$ 2,083	\$ 2,083	\$ 2,083	\$ 2,083
Miscellaneous costs	\$ 190	\$ 190	\$ 190	\$ 190	\$ 190	\$ 190	\$ 190
Payroll taxes	\$ 2,875	\$ 2,875	\$ 2,875	\$ 2,875	\$ 2,875	\$ 2,875	\$ 2,875
<b>Total operating costs</b>	<b>\$28,659</b>	<b>\$28,659</b>	<b>\$28,659</b>	<b>\$28,659</b>	<b>\$28,659</b>	<b>\$28,659</b>	<b>\$28,659</b>
<b>EBITDA</b>	<b>\$ 6,861</b>	<b>\$ 7,533</b>	<b>\$ 8,205</b>	<b>\$ 8,877</b>	<b>\$ 9,549</b>	<b>\$10,221</b>	<b>\$10,893</b>
Federal income tax	\$ 3,155	\$ 3,215	\$ 3,275	\$ 3,334	\$ 3,394	\$ 3,454	\$ 3,514
State income tax	\$ 478	\$ 487	\$ 496	\$ 505	\$ 514	\$ 523	\$ 532
Interest expense	\$ 1,313	\$ 1,306	\$ 1,299	\$ 1,292	\$ 1,285	\$ 1,278	\$ 1,271
Depreciation expense	\$ 893	\$ 893	\$ 893	\$ 893	\$ 893	\$ 893	\$ 893
<b>Net profit</b>	<b>\$ 1,022</b>	<b>\$ 1,632</b>	<b>\$ 2,242</b>	<b>\$ 2,852</b>	<b>\$ 3,462</b>	<b>\$ 4,073</b>	<b>\$ 4,683</b>

**Profit and loss statement (first year cont.)**

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**Profit and loss statement (first year cont.)**

Month	8	9	10	11	12	1
<b>Sales</b>	<b>\$60,755</b>	<b>\$61,770</b>	<b>\$62,785</b>	<b>\$63,800</b>	<b>\$64,815</b>	<b>\$710,790</b>
Cost of goods sold	\$20,531	\$20,874	\$21,217	\$21,560	\$21,903	\$240,198
Gross margin	66.2%	66.2%	66.2%	66.2%	66.2%	66.2%
<b>Operating income</b>	<b>\$40,224</b>	<b>\$40,896</b>	<b>\$41,568</b>	<b>\$42,240</b>	<b>\$42,912</b>	<b>\$470,592</b>
<b>Expenses</b>						
Payroll	\$19,167	\$19,167	\$19,167	\$19,167	\$19,167	\$230,000
General and administrative	\$ 750	\$ 750	\$ 750	\$ 750	\$ 750	\$ 9,000
Marketing expenses	\$ 1,303	\$ 1,303	\$ 1,303	\$ 1,303	\$ 1,303	\$ 15,637
Professional fees and licensure	\$ 417	\$ 417	\$ 417	\$ 417	\$ 417	\$ 5,000
Insurance costs	\$ 1,250	\$ 1,250	\$ 1,250	\$ 1,250	\$ 1,250	\$ 15,000
Travel and vehicle costs	\$ 625	\$ 625	\$ 625	\$ 625	\$ 625	\$ 7,500
Rent and utilities	\$ 2,083	\$ 2,083	\$ 2,083	\$ 2,083	\$ 2,083	\$ 25,000
Miscellaneous costs	\$ 190	\$ 190	\$ 190	\$ 190	\$ 190	\$ 2,275
Payroll taxes	\$ 2,875	\$ 2,875	\$ 2,875	\$ 2,875	\$ 2,875	\$ 34,500
<b>Total operating costs</b>	<b>\$28,659</b>	<b>\$28,659</b>	<b>\$28,659</b>	<b>\$28,659</b>	<b>\$28,659</b>	<b>\$343,912</b>
<b>EBITDA</b>	<b>\$11,565</b>	<b>\$12,237</b>	<b>\$12,909</b>	<b>\$13,581</b>	<b>\$14,253</b>	<b>\$126,680</b>
Federal income tax	\$ 3,573	\$ 3,633	\$ 3,693	\$ 3,752	\$ 3,812	\$ 41,804
State income tax	\$ 541	\$ 550	\$ 559	\$ 569	\$ 578	\$ 6,334
Interest expense	\$ 1,264	\$ 1,257	\$ 1,250	\$ 1,242	\$ 1,235	\$ 15,291
Depreciation expense	\$ 893	\$ 893	\$ 893	\$ 893	\$ 893	\$ 10,714
<b>Net profit</b>	<b>\$ 5,293</b>	<b>\$ 5,904</b>	<b>\$ 6,514</b>	<b>\$ 7,125</b>	<b>\$ 7,735</b>	<b>\$ 52,536</b>



## Profit and loss statement (second year)

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### Profit and loss statement (second year)

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Quarter	Q1	Q2	Q3	Q4	2
<b>Sales</b>	<b>\$156,374</b>	<b>\$195,467</b>	<b>\$211,105</b>	<b>\$218,923</b>	<b>\$781,869</b>
Cost of goods sold	\$ 52,844	\$ 66,054	\$ 71,339	\$ 73,981	\$264,218
Gross margin	66.2%	66.2%	66.2%	66.2%	66.2%
<b>Operating income</b>	<b>\$103,530</b>	<b>\$129,413</b>	<b>\$139,766</b>	<b>\$144,942</b>	<b>\$517,651</b>
<b>Expenses</b>					
Payroll	\$ 47,380	\$ 59,225	\$ 63,963	\$ 66,332	\$236,900
General and administrative	\$ 1,872	\$ 2,340	\$ 2,527	\$ 2,621	\$ 9,360
Marketing expenses	\$ 3,440	\$ 4,300	\$ 4,644	\$ 4,816	\$ 17,201
Professional fees and licensure	\$ 1,030	\$ 1,288	\$ 1,391	\$ 1,442	\$ 5,150
Insurance costs	\$ 3,150	\$ 3,938	\$ 4,253	\$ 4,410	\$ 15,750
Travel and vehicle costs	\$ 1,650	\$ 2,063	\$ 2,228	\$ 2,310	\$ 8,250
Rent and utilities	\$ 5,250	\$ 6,563	\$ 7,088	\$ 7,350	\$ 26,250
Miscellaneous costs	\$ 500	\$ 625	\$ 676	\$ 701	\$ 2,502
Payroll taxes	\$ 7,107	\$ 8,884	\$ 9,594	\$ 9,950	\$ 35,535
<b>Total operating costs</b>	<b>\$ 71,380</b>	<b>\$ 89,225</b>	<b>\$ 96,362</b>	<b>\$ 99,931</b>	<b>\$356,898</b>
<b>EBITDA</b>	<b>\$ 32,151</b>	<b>\$ 40,188</b>	<b>\$ 43,403</b>	<b>\$ 45,011</b>	<b>\$160,753</b>
Federal income tax	\$ 9,671	\$ 12,088	\$ 13,055	\$ 13,539	\$ 48,353
State income tax	\$ 1,465	\$ 1,832	\$ 1,978	\$ 2,051	\$ 7,326

Interest expense	\$ 3,661	\$ 3,593	\$ 3,524	\$ 3,453	\$ 14,230
Depreciation expense	\$ 2,679	\$ 2,679	\$ 2,679	\$ 2,679	\$ 10,714
<b>Net profit</b>	<b>\$ 14,676</b>	<b>\$ 19,997</b>	<b>\$ 22,168</b>	<b>\$ 23,290</b>	<b>\$ 80,130</b>

### Profit and loss statement (third year)

Profit and loss statement (third year)					
3					
Quarter	Q1	Q2	Q3	Q4	3
<b>Sales</b>	<b>\$172,011</b>	<b>\$215,014</b>	<b>\$232,215</b>	<b>\$240,816</b>	<b>\$860,056</b>
Cost of goods sold	\$ 58,128	\$ 72,660	\$ 78,473	\$ 81,379	\$290,640
Gross margin	66.2%	66.2%	66.2%	66.2%	66.2%
<b>Operating income</b>	<b>\$113,883</b>	<b>\$142,354</b>	<b>\$153,742</b>	<b>\$159,437</b>	<b>\$569,416</b>
<b>Expenses</b>					
Payroll	\$ 48,801	\$ 61,002	\$ 65,882	\$ 68,322	\$244,007
General and administrative	\$ 1,947	\$ 2,434	\$ 2,628	\$ 2,726	\$ 9,734
Marketing expenses	\$ 3,784	\$ 4,730	\$ 5,109	\$ 5,298	\$ 18,921
Professional fees and licensure	\$ 1,061	\$ 1,326	\$ 1,432	\$ 1,485	\$ 5,305
Insurance costs	\$ 3,308	\$ 4,134	\$ 4,465	\$ 4,631	\$ 16,538
Travel and vehicle costs	\$ 1,815	\$ 2,269	\$ 2,450	\$ 2,541	\$ 9,075
Rent and utilities	\$ 5,513	\$ 6,891	\$ 7,442	\$ 7,718	\$ 27,563
Miscellaneous costs	\$ 550	\$ 688	\$ 743	\$ 771	\$ 2,752
Payroll taxes	\$ 7,320	\$ 9,150	\$ 9,882	\$ 10,248	\$ 36,601

<b>Total operating costs</b>	<b>\$ 74,099 \$ 92,624 \$100,034 \$103,739 \$370,495</b>
<b>EBITDA</b>	<b>\$ 39,784 \$ 49,730 \$ 53,709 \$ 55,698 \$198,921</b>
Federal income tax	\$ 12,266 \$ 15,333 \$ 16,559 \$ 17,173 \$ 61,331
State income tax	\$ 1,859 \$ 2,323 \$ 2,509 \$ 2,602 \$ 9,293
Interest expense	\$ 3,380 \$ 3,306 \$ 3,230 \$ 3,153 \$ 13,069
Depreciation expense	\$ 2,679 \$ 2,679 \$ 2,679 \$ 2,679 \$ 10,714
<b>Net profit</b>	<b>\$ 19,601 \$ 26,090 \$ 28,731 \$ 30,092 \$104,514</b>

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## 7.11 Three Year Cash Flow Analysis

### Cash flow analysis (first year)

Cash flow analysis (first year)									
Month	1	2	3	4	5	6	7	8	
Cash from operations	\$ 1,915	\$ 2,525	\$ 3,135	\$ 3,745	\$ 4,355	\$ 4,965	\$ 5,576	\$ 6,186	
Cash from receivables	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	0
<b>Operating cash inflow</b>	<b>\$ 1,915</b>	<b>\$ 2,525</b>	<b>\$ 3,135</b>	<b>\$ 3,745</b>	<b>\$ 4,355</b>	<b>\$ 4,965</b>	<b>\$ 5,576</b>	<b>\$ 6,186</b>	
<b>Other cash inflows</b>									
Equity investment	\$ 25,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	0
Increased borrowings	\$175,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	0
Sales of business assets	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	0
A/P increases	\$ 142	\$ 142	\$ 142	\$ 142	\$ 142	\$ 142	\$ 142	\$ 142	142
<b>Total other cash inflows</b>	<b>\$200,142</b>	<b>\$ 142</b>	<b>\$ 142</b>	<b>\$ 142</b>	<b>\$ 142</b>	<b>\$ 142</b>	<b>\$ 142</b>	<b>\$ 142</b>	<b>142</b>
<b>Total cash inflow</b>	<b>\$202,056</b>	<b>\$ 2,666</b>	<b>\$ 3,277</b>	<b>\$ 3,887</b>	<b>\$ 4,497</b>	<b>\$ 5,107</b>	<b>\$ 5,717</b>	<b>\$ 6,328</b>	

**Cash outflows**

Repayment of principal	\$ 904	\$ 911	\$ 918	\$ 925	\$ 932	\$ 939	\$ 946	\$ 953
A/P decreases	\$ 133	\$ 133	\$ 133	\$ 133	\$ 133	\$ 133	\$ 133	\$ 133
A/R increases	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Asset purchases	\$150,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Dividends	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<b>Total cash outflows</b>	<b>\$151,038</b>	<b>\$ 1,044</b>	<b>\$ 1,051</b>	<b>\$ 1,058</b>	<b>\$ 1,065</b>	<b>\$ 1,072</b>	<b>\$ 1,079</b>	<b>\$ 1,086</b>
<b>Net cash flow</b>	<b>\$ 51,019</b>	<b>\$ 1,622</b>	<b>\$ 2,225</b>	<b>\$ 2,828</b>	<b>\$ 3,432</b>	<b>\$ 4,035</b>	<b>\$ 4,638</b>	<b>\$ 5,242</b>
<b>Cash balance</b>	<b>\$ 51,019</b>	<b>\$52,641</b>	<b>\$54,866</b>	<b>\$57,694</b>	<b>\$61,126</b>	<b>\$65,161</b>	<b>\$69,799</b>	<b>\$75,041</b>

**Cash flow analysis (first year cont.)****Cash flow analysis (first year cont.)**

Month	9	10	11	12	1
Cash from operations	\$ 6,796	\$ 7,407	\$ 8,017	\$ 8,628	\$ 63,251
Cash from receivables	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<b>Operating cash inflow</b>	<b>\$ 6,796</b>	<b>\$ 7,407</b>	<b>\$ 8,017</b>	<b>\$ 8,628</b>	<b>\$ 63,251</b>
<b>Other cash inflows</b>					
Equity investment	\$ 0	\$ 0	\$ 0	\$ 0	\$ 25,000
Increased borrowings	\$ 0	\$ 0	\$ 0	\$ 0	\$175,000
Sales of business assets	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
A/P increases	\$ 142	\$ 142	\$ 142	\$ 142	\$ 1,700
<b>Total other cash inflows</b>	<b>\$ 142</b>	<b>\$ 142</b>	<b>\$ 142</b>	<b>\$ 142</b>	<b>\$201,700</b>
<b>Total cash inflow</b>	<b>\$ 6,938</b>	<b>\$ 7,549</b>	<b>\$ 8,159</b>	<b>\$ 8,770</b>	<b>\$264,951</b>

### Cash outflows

Repayment of principal	\$ 961	\$ 967	\$ 974	\$ 982	\$ 11,311
A/P decreases	\$ 133	\$ 133	\$ 133	\$ 133	\$ 1,600
A/R increases	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Asset purchases	\$ 0	\$ 0	\$ 0	\$ 0	\$150,000
Dividends	\$ 0	\$ 0	\$ 0	\$44,275	\$ 44,275
<b>Total cash outflows</b>	<b>\$ 1,094</b>	<b>\$ 1,101</b>	<b>\$ 1,108</b>	<b>\$45,390</b>	<b>\$207,186</b>
<b>Net cash flow</b>	<b>\$ 5,844</b>	<b>\$ 6,448</b>	<b>\$ 7,051</b>	<b>-\$36,620</b>	<b>\$ 57,764</b>
<b>Cash balance</b>	<b>\$80,885</b>	<b>\$87,333</b>	<b>\$94,384</b>	<b>\$57,764</b>	<b>\$ 57,764</b>

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### Cash flow analysis (second year)

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#### Cash flow analysis (second year)

	2				
Quarter	Q1	Q2	Q3	Q4	2
Cash from operations	\$18,169	\$22,711	\$24,528	\$25,436	\$90,844
Cash from receivables	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<b>Operating cash inflow</b>	<b>\$18,169</b>	<b>\$22,711</b>	<b>\$24,528</b>	<b>\$25,436</b>	<b>\$90,844</b>
<b>Other cash inflows</b>					
Equity investment	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Increased borrowings	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Sales of business assets	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
A/P increases	\$ 391	\$ 489	\$ 528	\$ 547	\$ 1,955

<b>Total other cash inflows</b>	<b>\$ 391</b>	<b>\$ 489</b>	<b>\$ 528</b>	<b>\$ 547</b>	<b>\$ 1,955</b>
<b>Total cash inflow</b>	<b>\$18,560</b>	<b>\$23,200</b>	<b>\$25,056</b>	<b>\$25,984</b>	<b>\$92,799</b>
<b>Cash outflows</b>					
Repayment of principal	\$ 2,990	\$ 3,058	\$ 3,127	\$ 3,198	\$12,372
A/P decreases	\$ 384	\$ 480	\$ 518	\$ 538	\$ 1,920
A/R increases	\$ 0	\$ 0	\$ 0	\$ 0	0
Asset purchases	\$ 1,817	\$ 2,271	\$ 2,453	\$ 2,544	\$ 9,084
Dividends	\$12,718	\$15,898	\$17,170	\$17,805	\$63,591
<b>Total cash outflows</b>	<b>\$17,909</b>	<b>\$21,706</b>	<b>\$23,268</b>	<b>\$24,084</b>	<b>\$86,967</b>
<b>Net cash flow</b>	<b>\$ 651</b>	<b>\$ 1,493</b>	<b>\$ 1,788</b>	<b>\$ 1,899</b>	<b>\$ 5,832</b>
<b>Cash balance</b>	<b>\$58,415</b>	<b>\$59,909</b>	<b>\$61,697</b>	<b>\$63,596</b>	<b>\$63,596</b>

### Cash flow analysis (third year)

#### Cash flow analysis (third year)

	3				
Quarter	Q1	Q2	Q3	Q4	3
Cash from operations	\$23,046	\$28,807	\$31,112	\$32,264	\$115,228
Cash from receivables	\$ 0	\$ 0	\$ 0	\$ 0	0
<b>Operating cash inflow</b>	<b>\$23,046</b>	<b>\$28,807</b>	<b>\$31,112</b>	<b>\$32,264</b>	<b>\$115,228</b>
<b>Other cash inflows</b>					
Equity investment	\$ 0	\$ 0	\$ 0	\$ 0	0
Increased borrowings	\$ 0	\$ 0	\$ 0	\$ 0	0
Sales of business assets	\$ 0	\$ 0	\$ 0	\$ 0	0

A/P increases	\$ 450	\$ 562	\$ 607	\$ 630	\$ 2,248
<b>Total other cash inflows</b>	<b>\$ 450</b>	<b>\$ 562</b>	<b>\$ 607</b>	<b>\$ 630</b>	<b>\$ 2,248</b>
<b>Total cash inflow</b>	<b>\$23,495</b>	<b>\$29,369</b>	<b>\$31,719</b>	<b>\$32,893</b>	<b>\$117,476</b>
<b>Cash outflows</b>					
Repayment of principal	\$ 3,270	\$ 3,344	\$ 3,420	\$ 3,498	\$ 13,533
A/P decreases	\$ 461	\$ 576	\$ 622	\$ 645	\$ 2,304
A/R increases	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Asset purchases	\$ 2,305	\$ 2,881	\$ 3,111	\$ 3,226	\$ 11,523
Dividends	\$16,132	\$20,165	\$21,778	\$22,585	\$ 80,660
<b>Total cash outflows</b>	<b>\$22,168</b>	<b>\$26,966</b>	<b>\$28,932</b>	<b>\$29,954</b>	<b>\$108,019</b>
<b>Net cash flow</b>	<b>\$ 1,328</b>	<b>\$ 2,403</b>	<b>\$ 2,787</b>	<b>\$ 2,939</b>	<b>\$ 9,457</b>
<b>Cash balance</b>	<b>\$64,924</b>	<b>\$67,327</b>	<b>\$70,114</b>	<b>\$73,053</b>	<b>\$ 73,053</b>

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