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Simbarashe Chirara

Western Michigan University, schirara5@gmail.com

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EZ Timeout Business Plan



Revolutionizing Student Living

Prepared by: Simbarashe Chirara

Partners:

Emmanuel Machena

Consultant:

Binyam Minassie

4122 W. Michigan Ave, Apt 8

Kalamazoo, Michigan 49006

(269) 544 908

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EXECUTIVE SUMMARY

Although a college student living in the dorms might get along very well with their roommate, there are times when they need to change clothes, do not want any distractions or just simply want some privacy. Well you might say, “how about investing in a room divider?” The problem is that current room dividers on the market are expensive for college students, unattractive, heavy, difficult to put away and current student living lacks adequate privacy options. We are bringing a modern and affordable approach to a student room divider. Our EZ Timeout room divider is easily attachable and detachable, flexible and easy to install, high quality and an affordable room divider. The fabric used is inflammable, waterproof and eco-friendly.

The packaged product will have two poles with one pole having the screen coiled inside. To use the product a customer needs to set the one pole with the screen inside on the one end and then set the other pole on the other end. Next the user will pull out the screen which can go out for 15ft and connect to the other pole. Our screen can be folded at different points as the material used has special technology which makes it flexible and can also take any shape intended by the user. Customers can purchase dividers with our company’s pre-selected designs or have them custom made to fit the need. After conducting surveys with 319 students at Western Michigan University, we found out that putting up room dividers in a college dorm room might be a little uncomfortable for roommates to do, so we came up with an idea to attach a projector to the room divider and project visuals on to the screen. Not only does this add more uses to the product by allowing customers to watch Netflix, videos and so on but it also takes away the awkwardness with putting up a room divider as you get to use the divider to watch movies and videos. The projector screen factor differentiates us from our competitors.

For our direct competitors we have identified 2 notable competitors: Kwickscreen and Screenflex. The Kwickscreen room divider is the closest to our product in terms of concept and is currently being sold at \$3,500 for a single room divider. The Kwickscreen product is heavy, hard to put away, is made specifically for hospitals and lacks everyday practical use. The Screenflex room divider is also very expensive and made for institutional use. For our indirect competition, we have the many basic room dividers, over 1,500 types of them. Again, these are heavy, hard to put away, expensive for college student (average of \$150 for a single room divider), present fire hazards and collapse danger. Our products is relatively light as we use aluminum for the poles, affordable (starting off at \$50 for a single room divider). We are meeting the need for privacy and effective use of space. We understand that for our product to be successful, we need to be able to fend off competitors, and to do this we are seeking to get a patent for our design and projector screen functionality.

Our primary target are college students living in dorm rooms. According to the National Center for Educational Statistics, there were 20.2 million students enrolled in 2015 and that figure has actually increased by 4.9 million since 2000. Of the 20.2 million students, 12.6 million were full-time students and of those 12.6 million full-time students, 6.5 million students actually lived on campus. The 6.5 million full-time students living on campus are our gold mine. If we were to capture only 0.5% of those 6.5 million students living on campus and sell our room divider to them at an average price of \$50, that will give us **\$1.6 million** dollars in revenue. To prove that

we were not just claiming of the need for privacy, 85% of the 319 survey results from WMU students confirmed privacy as “Important.”

We need to implement a “push” marketing strategy – getting our product in front of customers even without them expressing a desire to buy or learn about the product. This strategy is important as we are in the early stages and still need to increase customer awareness. At the core of our marketing philosophy is the marketing concept. We will focus on what our customers need and want more than our needs. What is important to us is satisfying the customer’s needs to achieve company success. Our products are developed around those needs and wants. We will also use tradeshow, keyword advertising, social media and direct marketing.

A major breakthrough for the company was the addition of the lead product engineering consultant, Binyam Minassie to help in finalizing the concept designs. We still need to raise some funds to invest in polishing up designs, getting a patent and also to get a manufacturer to make a prototype for us. Our next step would be to test the prototypes on students, get some more feedback and continue improving the product before the formal commencement of operations. For our supply chain and logistics, we will source the raw materials from China, outsource the production of the components from a manufacturer in China, assemble and package the goods in house and finally distribute to universities and directly through our website, our own sales representative and to hire a professional sales agency to sell to retailers for a commission. It only makes sense to source the raw materials from China as that will be closer to where the manufacturing will be. We believe the sourcing of materials and manufacturing in China will give us cost advantages.

EZ Timeout was co-founded by Emmanuel Machena and Simbarashe Chirara. Emmanuel is a Junior at Western Michigan University, studying Finance, Economics and Accounting. Simbarashe graduated in Spring 2016, with a Bachelor’s degree in Business Administration from Western Michigan University with a Finance and Entrepreneurship. Emmanuel and Simbarashe were part of Starting Gate, Western Michigan University’s business accelerator. Both individuals have proven track records, a story to tell and are hungry to see success of the business.

We are looking to produce and sell 5,000 room dividers, 4,000 room dividers with custom designs and 3,000 room dividers with projectors for a total of \$850,000. The gross margins are around 34%, however we are hoping to improve the gross margin to about 40% as we scale up the business. Breakeven for the first year will be achieved at \$702,011 and we project sales of \$850,000 the first year.

We are requesting \$150,000 for a 20% stake in the business. We are looking to raise this money from angel investors and are also looking into crowd funding as a source of funding. The money will be used as startup funding and be allocated to setting up the business for at least the first two months of operations.

THE COMPANY, CONCEPT AND PRODUCTS

The Company and the Concept

EZ Timeout intends to be established as a Limited Liability Company at 4122 W. Michigan Ave, Apt 8, Kalamazoo, Michigan 49006 and plans to commence formal operations in May of 2017.

Company History

EZ Timeout provides high quality room dividers unlike any in the industry. Emmanuel Machena (cofounder of the company), came up with the idea when he was staying in the college dorm rooms in his freshman year. After having a lot of conflicts with his then roommate over personal space, studying patterns and having people over, they then came up with a solution. The two went to Walmart and bought a rope and sheet and literally partitioned the room with this makeshift room divider and that is how the idea was birthed. After realizing that others share this need for privacy and the potential to commercialize this idea, both Emmanuel and I applied and got into Starting Gate, a start-up accelerator program at Western Michigan University in September of 2015. We have since added a consultant on our team, Binyam Minassie to focus on product design and operations.

Mission || to provide better quality of life through effective use of space and respect for privacy

Vision || to become the leading furniture and space equipment provider in the US dormitory market

The founders believe there is a huge need for privacy in any shared living situation as roommates may need to change, perform an activity while the other is asleep or busy, have friends over or simply want privacy. The EZ Timeout room divider will allow healthy living in shared apartments/rooms and provide customers their own space. Since the room divider is flexible, it will divide any space or take on any shape intended by its user. We understand that our primary target market: college dorm room students, need something more than a room divider, so we have added many special features and functionalities to guarantee maximum value to the user.

The Product Mix:

Core product

The room divider is simple to install and pack away. The packaged product will have two poles with one pole having the screen coiled inside. All a user needs to do, is set the one pole with the screen inside on the one end and then set the other pole on the other end. Next the user will pull out the screen which can go out for 15ft and connect to the other pole. The screen is inflammable, water proof and eco-friendly. Our screen can be folded at different points as the material used has special technology which makes it flexible (it will take on any shape intended by the user). We will have different features added for different price points. Customers can purchase dividers with our company's pre-selected designs or have them custom made to fit the need. Another special feature will be to have the room divider perform as a projector screen and pair a projector with every purchase. This will allow users to watch movies, TV shows, Netflix and music videos on the screen. The divider is portable, customizable, flexible, and retractable.

Uses

This product can be used for household and commercial uses. Since our primary target market is college students, the many uses for them are as follows:

For College Students/ Roommates: when studying/doing homework, changing clothes, performing an activity while the other is asleep or busy, having people over, as well as to create a sense of personal space, to divide a space, use as a white board, watch movies (entertainment) and also to add color/decorative background

Other uses

- Advertising
- Easy partitioning of space for hospitality, hospitals, offices, event planning, tradeshow, conference areas, weddings, schools
- Disaster and relief planning
- Hiding construction or messy areas
- White boards for school instructors
- Privacy for drug testing in schools and universities
- Redirecting foot traffic

Our initial target market to test the idea will be college students. There is a need for privacy in dorm rooms. **85%** of the 319 responses from surveys of students at Western Michigan University, confirmed privacy as "important". Current room dividers on the market are not appealing to college students because they are heavy, relatively expensive, hard to put away and present fire hazards and collapse danger. This is why we believe our room divider will add tremendous value for our customers. The room divider not only addresses the pain of needing privacy, but it will also come with features that will make the product something customers will want to have.

Risks

There are risks associated with bringing this product to market. For instance, our designs and product can easily be imitated by the big competitors in the domestic market or even foreign competitors such as Ikea, Partex, Hulsta, Lexington and Pastoe. To fend this competition off we will need to make sure that we have proprietary rights.

Key factors for success

- Pricing- current dividers are expensive for students and we want to offer a product that is affordable yet adds more value for our customers.
- Establishing good relationships with all key players – suppliers, customers, retail outlets etc.
- Understanding the customer- we want to make sure that we continue to roll out innovative products and designs that bring the most value to the customer by getting to know their needs and preferences.
- Making sure we have adequate capital/funding to establish ourselves in the market.

Entry and Growth Strategy

Michigan is home to most of the key furniture players in the U.S. EZ Timeout has its headquarters in Kalamazoo, Michigan and will begin operations there in the summer of 2017.

Our EZ Timeout room dividers will be available for purchase at local retail stores, our website and also through select universities and colleges. Since EZ Timeout will have an online presence and will be selling directly to wholesalers and customers through the website and universities, it is important that we set up a distribution network rapidly and be in the whole of Michigan by the summer of 2018 and then start nationwide distribution. We also expect to expand our product line as time goes on and start looking into designing and manufacturing products that absorb and eliminate sound.

THE INDUSTRY ANALYSIS

Industry and Sector

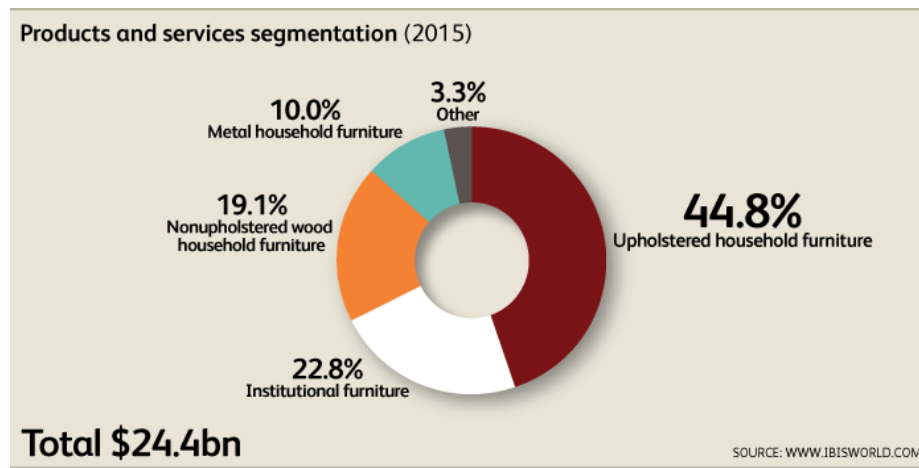
The EZ Timeout room divider is intended for both household and commercial use. For the industry analysis, we looked at two sectors within the furniture industry:

Household Furniture Manufacturing: NAICS code 33712

Office Furniture Manufacturing: NAICS code 33721

Household Furniture Manufacturing

The industry manufactures a range of furniture for personal, household and institutional use (hospitals, theaters, cafeterias, schools and other facilities.) Below is a chart that shows the industry product and services segmentation as recorded in 2015:



Upholstered furniture- products include couches, recliners, futons and ottomans

Institutional furniture- includes furniture designed for schools, restaurants, theaters, churches etc. Products include desks, chairs, cafeteria tables, theater seating.

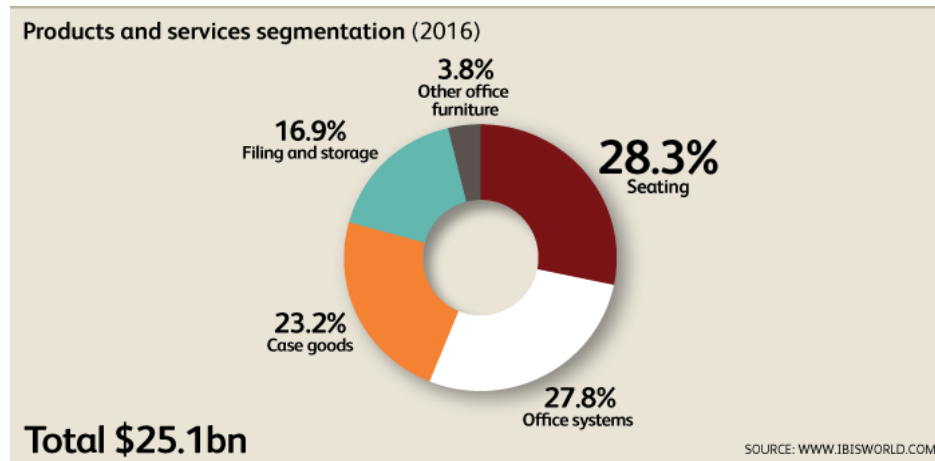
Non-upholstered wood household furniture- referred to as goods, products include wood shelving, chairs and tables, are usually assembled by the end user.

Metal household furniture- outdoor metal furniture, bed frames, stools, TV stands etc.

Other- furniture made of other materials, such as plastic, reed, rattan, wicker and fiber. Our product fits within this category which accounts **3.3% of the \$24.4 billion industry**. The product segment has gained popularity over the past five years for being more affordable and being considered more stylish than traditional wood and metal furniture by consumers.

Office Furniture Manufacturing

Businesses in this industry manufacture a wide range of office furniture, including bookcases, cabinets, chairs, desks and filing cabinets. This industry also manufactures office and store fixtures, such as cafeteria countertops and furniture parts partitions.



Seating- include computer chairs, desk chairs and couches.

Office Systems/Cubicles- include work surface surrounded by partitions.

Case goods - not upholstered, wardrobes, bookshelves, executive desks and tables.

Filing and storage - filing cabinets, storage cabinets, lockers, shelving units.

Other - displays, bulletin boards, movable walls, coat hangers and wastebaskets. Again the EZ Timeout divider fits within this segment which accounts **3.8% of the \$25.1 billion industry**.

Industry Size and Growth Rates

The household manufacturing industry is a \$24.4 billion industry, with \$1.2 billion in profits and \$ 2.6 billion in exports. The industry is in a declining stage and this is due to increased competition from imports which offer cheaper product. The annual growth rate in the last 5 years is 0.9% and projected to decline at 0.2% in the next 5 years.

The \$25.1 billion office manufacturing industry brings in \$1.1 billion in profit and \$1.4 billion in exports. The industry is in the mature stage of its life cycle and has had 2.0% annual growth in the last 5 years and estimates an annual growth rate of 0.7% in the next five.

Implications: The growth trends for the industry are low, however we believe we are creating a new market and therefore our unique value proposition will allow us to have high growth rates as we scale our business.

Structure of the Industry

Household Manufacturing

The industry exhibits a relatively low level of market concentration. With about 4,319 businesses, the four largest industry companies generated 17.9% of revenue in 2015, with the remainder composed mainly of small, privately owned manufacturers.

Key Companies:

Ashley Furniture Industries Inc., - founded in 1945 and based in Wisconsin, it is the largest producer in the U.S., with a market share of 10.4%. The company manufactures and imports upholstered and hardwood furniture through its manufacturing plants and distribution centers in the U.S. and abroad. Ashley Furniture's integrated manufacturing and retail operations are concentrated in the U.S., with 460 stores and 11 production and distribution facilities. Focused on marketing low-price furniture, they have successfully kept manufacturing and distribution costs low. Recently they have had a focus on building an international presence. Revenue in 2015 was \$2.54 billion.

La-Z-Boy Inc. – the largest recliner manufacturer in the world and North America's largest manufacturer of upholstered furniture. The company manufactures wood furniture domestically at 5 U.S. facilities in addition to importing products for resale in North America. The company has faced rising competition from low-cost operators abroad and has attempted to minimize its losses by consolidating its manufacturing facilities, reducing workforces and outsourcing operations to Mexico. The company has 4.1% market share and had revenue of \$990 million in 2015

Heritage Home Group – based in St. Louis, the company entered the Household Furniture Manufacturing industry through the acquisition of Furniture Brands International (FBI), following that company's bankruptcy in 2013. The company produces a wide variety of furniture through the 10 brands acquired from FBI. Each of the company's brands are targeted toward specific customers in relation to style and price points. Estimated revenue of \$560 million and 2.3% market share

Ethan Allen Interiors – founded in 1932, it is a high quality furniture and home furnishing manufacturer and retailer. The company is well known for its vertically integrated operations. In addition to producing its own furniture, the company wholesales its products via two distribution and fulfillment centers. While the company manufactures and assembles many of its home furnishings products domestically, the company has also offshored operations to Mexico. It has 1.1% market share with \$265.9 million of its total \$754.6 million in revenue last year from furniture manufacturing operations.

Office Manufacturing

This industry has about 3,470 businesses with a low market share concentration. IBIS World estimates the four largest players account for 25.8% of total industry revenue in 2016. The remainder of the market is captured by a large number of small and privately owned businesses that successfully supply the local community's retail demand. While there are benefits to large-scale manufacturing, moderate barriers to entry allow medium sized competitors to offer relatively similar products to major players in many markets.

Key Companies:

Steelcase – founded in 1912 in Grand Rapids, MI is one of the largest designers and manufacturers of office furniture. Its 3 brands are sold through 250 independent and company owned dealers across North America. Success is largely attributable to innovative products. Steelcase has 7% market share and had \$1.7 billion in 2015.

HNI Corporation – founded in 1944, the company comprises 10 businesses that manufacture office furniture and hearth (i.e. fireplace) products. Each business produces a range of furniture

and fixtures for domestic and international markets. HNI employs 9,500 people and primarily manufactures products in the U.S. Since its customers do not generally require customization, products retailed by this group are standardized and sold through mass merchandisers, wholesalers and independent dealers. The company has 6.2% market share and had revenues of \$1.6 billion.

Herman Miller - Founded in 1905 as Michigan Star Furniture, the name changed to Herman Miller in 1923. By the middle of the 20th century the company had become synonymous with modern furniture, providing high quality products for homes, as well as corporate and healthcare offices. Herman Miller employs 6,360 people across 12 facilities worldwide, although about 86% of manufacturing occurs in the United States. Herman Miller's key strategy to success has been developing high-quality products using more costly materials. Herman Miller had 6.1% market share with \$1.4 billion revenue in 2015.

Haworth, Inc - Founded in 1948 by G.W. Haworth, Haworth is a privately held, family owned corporation headquartered in Holland, MI. Haworth, Inc designs and manufactures adaptable workspaces, including raised floors, moveable walls, systems furniture, seating, and storage. Haworth serves markets in more than 120 countries through a global network of 600 dealers and employs nearly 7,000 people worldwide in 20 wholly owned factories and 55 sales offices. Haworth had sales of \$1.8 billion in 2014.

Basis of Competition

The 'basis of competition' refers to the collection of benefits that are the most important determinants of a customer's choice between different competing products or services. The internal factors refer to the product benefits that domestic companies compete while external factors refer to the product benefits that foreign companies compete on. For the internal factors, **price** is a competitive factor for large manufacturers with integrated retail operations, with **quality** a factor for smaller producers competing with imports on price. Other internal factors are product design, better relationships with stakeholders, branding and timeliness of delivery. For external factors, importers who are able to lower **price** due to cheap labor and production costs than U.S. operators have a competitive advantage.

EZ Timeout will have a focused differentiation strategy. We are offering a high quality product that is different from other room dividers currently on the market and targeting a niche market of college students living in the dorms. We will also seek to establish good relationships with all stakeholders, focus on great customer service which involves timely delivery and finally to patent our product to fend off foreign competitors.

Key Trends in the Industry

- Over the past few years, costs have remained relatively stable. The largest expenses are usually the purchases of raw materials followed by labor, depreciation, rent and utilities.
- Despite improvements in household wealth and real estate, the household manufacturing industry has been facing stiff competition from imports which are expected to continue growing.

- The office furniture manufacturing industry is expected to benefit from rising corporate profit levels and increasing number of U.S businesses, however the industry also faces threats from increasing low cost imports. Import penetration is expected to increase due to the strong dollar, which makes import products less expensive.

We believe the increase in per capita disposable income is favorable for us and will help EZ Timeout scale its business with college students as its target market. Although the threat of imports is real, it will be key for our company to make sure we fend off lower-cost imports by making sure we produce high quality goods that are hard to imitate. We really believe that the EZ Timeout room divider brings a lot of value to the customer and will be able to withstand competition because we offer a high quality product that is different than what is currently available on the market at affordable prices. Our product is easily attachable and detachable, flexible, easy to install and the fabric used is inflammable, waterproof and ecofriendly.

Key Success Factors for the Industry

- Having contacts within key markets.
- Guaranteed supply of key inputs.
- Ability to alter goods and services produced to satisfy changes in market conditions (flexibility).
- Highly trained workforce.

MARKET ANALYSIS

Relevant Market and Customer Overview

There are many uses for the EZ Timeout room divider and our product will cater for both households and also for commercial use. Our primary target market is households, and in particular college students living on campus. We also believe that hospitals, offices, weddings, hotels etc. will also find use for our product, although we plan on tapping into this market as we expand our product lines in the future. For now our focus is on getting to know our primary target market as best as we can and make sure that we are laser focused on them and get a complete product that meets their needs and adds the most value.

Demographics for primary target market

According to the National Center for Education Statistics, in the fall of 2015, it was reported that some 20.2 million students attended colleges and universities in the U.S., constituting an increase of about 4.9 million since fall 2000. Of those 20.2 million students, the majority were females with about 11.5 million compared to 8.7 million males. Also more students are attending as full time students rather than part time (an estimated 12.6 million, compared with about 7.6 million in 2000). 7 million students attended 2 year institutions and 13.2 million attended 4 year institutions in fall 2015.

Increases in the traditional college-age population and rising enrollment rates have contributed to the increase in college enrollment. Some 17.3 million students were enrolled in undergraduate programs and about 3 million were enrolled in post-baccalaureate programs. Between 2000 and 2013, the 18- to 24-year-old population rose from approximately 27.3 million to approximately 31.5 million. The percentage of 18- to 24-year-olds enrolled in college also was higher in 2013 (39.9 percent) than in 2000 (35.5 percent). In 2013, there were about 12.2 million college students under age 25 and 8.2 million students 25 years old and over. The numbers of younger and older students increased between 2000 and 2013.

Our product will be distributed through many channels: wholesalers, retailers, direct sales to customers through the website, partnerships with universities and as we expand and establish our business to begin to export our products. Wholesalers remain the most significant distribution channel as a newly starting and small company like ours might lack the resources to transport our product to retailers and end users.

Market Size and Trends:

For Household Use (primary target market)

According to The College Board, about 52% of full-time college students at universities and colleges live on-campus.

Market size = $0.52 * 12,600,000 = 6.552$ million

Potential in dollars = $6.552 \text{ million} * \$50 = \$327,600,000$

Assumptions

- Have an average charge \$50 per customer
- Number of full time students who live on campus : 6.552 million

**Market size potential in dollars for Commercial = $0.03 * \$24,000,000,000$
= $\$720,000,000$**

Consolidated Market size potential = $\$1,047,600,000$

Assumptions

- Our product falls within the ‘other’ segment of the \$24 billion office furniture industry which was 3% in 2015.

We believe that as first movers targeting a niche market of college students with our room divider we will have a higher annual growth rate than what the industry projects.

Factors affecting market growth

- Per capita disposable income – since we are targeting college students, our pricing will be important and the more money our customers have in their hands, the more room dividers they will buy. Per capita disposable income has been increasing.

- Import penetration – our ability to fend off low cost imports as well as imitation of our products by competitors will be key.
- Enrollment rates – increase in enrollment rates and a traditional college age population are favorable for our business.

Buyer Behavior

For our primary target market (college students) the actual purchase decision makers are the students themselves. Parents could also be purchase decision makers depending on how involved they are with their children's lives and who will be funding the purchase of the room divider. The decision makers for the commercial markets would be event managers for hotels, managers at hospitals, office managers etc.

Household- the major purchasers of this segment are college students.

Commercial- major purchasers are offices, universities, hotels, hospitals and governments.

Customers are easily reached through promotions and distribution channels and they are more likely to be receptive as there are no switching costs and strong brand loyalties.

Basis for purchase decisions

Price- since we are targeting college students our product has to be affordable.

Quality and design- our target market is very picky on the design and quality of the product.

Delivery - college students are usually online shoppers and convenience and timeliness of delivery is an important factor.

Survey results

We sent out a random survey to 319 students to find out if they had a need for privacy. We did not show or tell our product concept. We had two sets of questionnaires for them: (1) if they currently had roommates and 2) if they ever had a roommates

If they currently have a roommate:

- 76% of the 142 responses said that privacy was very important
- 44% either agreed or strongly agreed that they wanted more privacy
- 20% thought that having some type of room divider would meet their needs for privacy
- 68% thought using a room divider would affect their relationship with their roommate
- 89% thought it would affect their relationship in a negative way
- Even if it affected the relationship in a negative way, 36% would still use a room divider for more privacy
- Willing to pay:

(\$0-\$30)	(\$30-\$60)	(\$60-\$90)	(\$90-\$120)	None
30%	18%	3%	3%	46%

- 80% said it would be best supplied by the university

If they ever had a roommate:

- 84% of the 150 responses either agreed or strongly agreed that they felt the need for privacy
- 50% thought a room divider would afford them more privacy
- 69% thought using a room divider would have affected their relationship with their roommate
- 77% said it would have affected their relationship in a negative way
- 29% said they would still use a room divider for more privacy even if it affected their relationship
- Willing to pay:

(\$0-\$30)	(\$30-\$60)	(\$60-\$90)	(\$90-\$120)	None
41%	20%	4%	1%	34%

- 80% said it would be best supplied by the university
- Participants said a room divider would be useful when getting dressed, when they have people over, or want their own space.

Suggestions: eliminating light, sound and having quality material

Competition and Competitive Edges

Direct Competition

This section will cover the strengths, weaknesses and comparisons of two direct competitors: Kwikscreen and Screen flex.

Kwikscreen

Strengths	Weaknesses
<ul style="list-style-type: none"> • Portable, flexible, customizable, retractable, adaptable, easily cleaned • Established in the UK • Patented 	<ul style="list-style-type: none"> • Very expensive (\$3500/ 10 ft.) screen • Focus on healthcare, hospitals and marketing • Heavy, hard to put away, lack of practical everyday use

Screen flex

Strengths	Weaknesses
<ul style="list-style-type: none"> • Noise reducing, portable, flexible and customizable • Many product lines • Quality products 	<ul style="list-style-type: none"> • Very expensive • Also focused on industrial businesses, governments, healthcare

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Indirect Competition

Our indirect competition consists of the basic fold dividers on the market ranging from \$30-\$500. There are over 1,500 types of these basic fold dividers being produced. Although they may be cheaper they do not offer a lot of value to the customer i.e. hard to put away, hard to handle, not flexible, not portable, not customizable, present fire hazards and collapse danger.

EZ Timeout

Strengths	Weaknesses
<ul style="list-style-type: none"> • Affordable • High quality • Flexible, portable, retractable and customizable • Special feature that adds a projector to watch movies, videos etc. • Focus on college students • Fabric is inflammable, waterproof and eco-friendly 	<ul style="list-style-type: none"> • New Concept

We believe that there are a number of factors that will enable us to differentiate ourselves from our competitors. We offer room dividers that have many advantages (flexible, well designed, portable, retractable and customizable) yet are very affordable. We have our own niche market that we are targeting, and we know our target market very well and our goal is to make this product a must have for them. The entertainment aspect of our product will be very enticing to college students.

Estimated Sales

- Price, features (flexible, well designed, portable, retractable and customizable), added technology and quality design will make our product saleable in the face of current and potential competition.
- Our target market of college students should be the major purchasers in future years because the number of enrollments keeps increasing and also because every there are always college students leaving and also more college students coming into the system.

Ongoing Market Evaluation

We are still in the process of customer discovery to make sure that we know everything we can about our customers and this is something we will continuously pursue as we want to provide a product that gives our customers maximum value and exceeds their expectations. Our customer discovery is being conducted through further surveys and focus groups.

THE ECONOMICS OF THE BUSINESS

Revenue Drivers and Profit Margins

The revenue drivers are sales from the room divider which will come in three product lines:

Product Lines	Unit(s)	Sales Price Per Unit	COGS Per Unit	Margin Per Unit	Gross Margin
Room Divider	I	\$ 50.00	\$ 35.00	\$ 15.00	30%
Room Divider with Custom Designs	I	\$ 60.00	\$ 40.00	\$ 20.00	33%
Room Divider with Projector	I	\$ 120.00	\$ 75.00	\$ 45.00	38%
				Average	34%

Product Lines	Unit(s)	Gross Margin	% of Sales	Gross Margin X % of Sales
Room Divider	I	30%	28.80%	9%
Room Divider with Custom Designs	I	33%	28.20%	9%
Room Divider with Projector	I	38%	42%	16%
Weighted Average Contribution Margins				34%

The contribution of our product lines as a percentage of sales will be as follows:

Room divider – 28.8%, Room divider with custom designs – 28.2% and Room divider with Projector – 42%

We anticipate that the contribution margins (sales less cost of goods sold) of our three product lines will be around 34%. We hope that as the business scales up our costs will go down and our margins will improve towards the 40% mark.

Our cost of goods sold per unit will be as follows:

- \$6.0/unit for aluminum (@ 0.68/lb.).
- \$9.7/unit for Nomex fabric (@\$1.50/m²).
- \$15.0 for manufacturing which will be outsourced.
- \$5.0 for print
- \$40 for a projector

Operating Leverage and its Implications

Our cost structure has relatively high fixed cost as well as variable, since we will be renting our office space and warehouse and also outsourcing manufacturing operations, selling directly and also using a professional agency to sell our products. The implications of the relatively high fixed and variable costs, will be lower net profits in the first few years as we establish systems to move towards manufacturing in house, expanding the workforce and developing our own sales force.

Start Up Costs

Fixed Assets	Amount	Depreciation (years)	Notes
Real Estate-Land		Not Depreciated	
Real Estate-Buildings		20	
Leasehold Improvements	15,000	7	
Equipment (Inventory Control)	10,000	7	
Furniture and Fixtures	3,000	5	
Vehicles		5	
Other	2,000	5	
Total Fixed Assets	\$ 30,000		
Operating Capital	Amount	Notes	
Pre-Opening Salaries and Wages	21,000		
Prepaid Insurance Premiums	5,000	Errors & Omission, Property, Worker's Comp, Product liability, Vehicle and Business Interruptions	
Inventory	30,000	RD=286 units, RD w/ custom desgns = 250 units, RD w/projector = 133 units	
Legal and Accounting Fees	3,000	Lawyer and Accountant	
Rent Deposits	6,666	$((\$4/\text{SF}/\text{Yr} \times 10,000\text{SF})/12) \times 2$ months- Warehouse and Office Space	
Utility Deposits	7,200	Electricity/Water/Telephone/Gas. = 600 *12	
Supplies	15,000		
Advertising and Promotions	5,000		
Design and Development	15,000		
Other Initial Start-Up Costs	10,000		
Working Capital (Cash On Hand)	10,000		
Total Operating Capital	\$ 127,866		
Total Required Funds	\$ 157,866		

These are just initial startup costs to get the business going for at least the first two months. Other expenses for the rest of the year have been moved to the operating expenses section on the income statement.

Overall Economic Model

The overall economic model will be about 34% in gross margins, losing about 25% in operating expenses and taxes and finally taking home about 10% in profits. The amount of profits made is dependent on the volumes of room dividers produced and sold.

Breakeven Chart and Calculation

Breakeven Analysis Year I	
Gross Margin % of Sales	
Gross Margin	\$ 290,000
Total Sales	\$ 850,000
Gross Margin/Total Sales	34.1%
Total Fixed Expenses	
Payroll	\$ 126,524.72
Operating Expenses	\$ 112,984.76
Operating + Payroll	\$ 239,509
Breakeven Sales in Dollars (Annual)	
Gross Margin % of Sales	34.1%
Total Fixed Expenses	\$ 239,509
Yearly Breakeven Amount	\$ 702,011
Monthly Breakeven Amount	\$ 58,501

The yearly breakeven point for our business is \$702,011. Anything else we will make after this is profit. We believe that it will be easy for us to reach this in the first year of business. Projected sales in the first year are about \$850,000. The \$850,000 estimate is based on sales of 5,000 room dividers, 4,000 room divider with custom designs and 3,000 room dividers paired with projectors. The payroll assumes salaries of \$31,631 for 4 employees (our own sales representative and three workers in the warehouse handling 'backstage' operations).

Profit Durability

Our profit stream appears to be solid. Barriers to entry we may encounter are cost (having affordable products), patent for the projector factor, product differentiation and also the first to market advantage since we are the only company targeting college students.

THE MARKETING PLAN

Overall Marketing Strategy

The specific marketing philosophy of the company is the marketing concept. We will focus on what our customers need and want more than our needs. What is important to us is satisfying the customer's needs to achieve company success. Our products are developed around those needs and wants. We believe we will have a first mover advantage as no other company has targeted our

primary market before. We will differentiate our product from competitors by making a room divider that is affordable, high quality, easily attachable and detachable, flexible, simple to install and the fabric used will be inflammable, waterproof and eco-friendly. Our marketing efforts will be centered on partnering with universities (as they usually send out catalogs with their many products to college students before they move into the dorms) as well as aggressive use of social media advertising as that is the current trend of our primary target market. We will also be selling our product through the many retailers and dealers on the market. As a company, we would like to introduce our product locally within the state of Michigan and then expand regionally, nationally and internationally as the business scales up. EZ Timeout is revolutionizing student living and bringing an affordable and modern approach to a student room divider.

Pricing

Our pricing structure will be as follows:

- Room divider - \$50
- Room divider with custom designs - \$60
- Room divider with projector - \$100 (Minimum) up to \$250

We believe our pricing for our products is very competitive and affordable. Current dividers on the market are priced at an average of \$150 while our direct competitor, Kwikscreen, is selling a single room divider for \$3,500. Our room divider not only adds value through a more affordable product but also newness and quality.

Since our product is priced lower than those of the competition, we will maintain profitability through selling high volumes, effectiveness in manufacturing and distribution and lower material costs. College students have an average income of \$1,200 a month and therefore believe our products are reasonably priced.

Sales Tactics

The main distribution channels we will use for our products will be the universities, direct sales through our website and finally through the many retailers out there. Our initial sales method plan will be to identify a professional sales agency to make sales to the retailers on a commission rate of 4%. We will also hire our own sales representative (salary based compensation) to service online customers and, together with the rest of the management, to drive sales with universities. Our long term plan will be to eventually have our own direct sales force and we plan on starting to build this out in year 4 as the business continues to expand. We will most likely then hire salespeople to represent territories, provide in-house sales training and be compensated on a commission basis too.

In the first year we project to sell 5,000 room dividers, 4,000 room dividers with custom designs and 3,000 room dividers with projectors for a total of \$850,000. We will hire one salesperson the first year and pay them \$30,000 and also channel \$17, 500 towards advertising and marketing promotions.

Advertising and Sales Promotions

The marketing strategies we will use at EZ Timeout will be tradeshows, keyword advertising, social media and direct marketing. Since we are still in the introduction stage where we are still creating both brand and product awareness, we will have a push marketing strategy – getting our message in front of the customer even without them having an interest or desire to buy the product or learn about it. We believe these marketing strategies will focus directly on our target market and are also cost effective.

- **Tradeshow Marketing** – we plan on having a strong presence at tradeshows to get customers familiar with our products as well as reporters and retailers.
- **Search Marketing** – we will also pay to advertise through Google advertising so that each time customers search for room dividers our product is top on the list and also to direct traffic to our website.
- **Social Media Marketing** – use of Facebook and Twitter will encourage customer engagement.
- **Direct Marketing** – we will advertise and promote our product through a range of digital devices like computers, smartphones and tablets as well as make use of direct mail.

To make sure we increase awareness of our product in universities, we will distribute posters on campus, set up tables to show our product and also give out a few of our room dividers to spread awareness through word of mouth. Another strategy we will use is to partner with universities. We know that before a school year starts, universities usually send product catalogs to incoming students living on campus to provide them with things they will need while living in the dorm e.g. sheets, pillows, bathing products. Our goal is to have the EZ Timeout room dividers in the product catalogs sent to college students by universities. The partnership with universities will have them take a commission of 10% of profits.

Publicity

Within our local university of Western Michigan University, we have already enjoyed some free publicity through the local and school newspapers and magazines for being part of Western Michigan University's business accelerator, Starting Gate. We will also work with reporters to make sure we invite the press for developments with the business as well as to publish launches/major events on social networking sites Facebook, LinkedIn and Twitter.

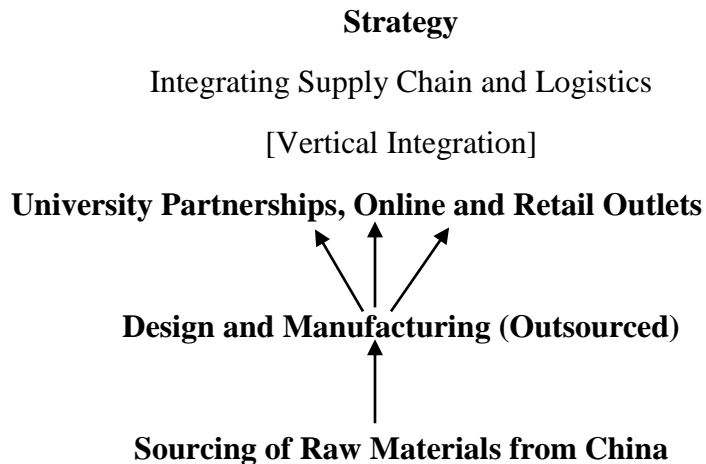
Customer Service

Customer service for EZ Timeout is not just making sure that our customers are satisfied but about creating raving fans. We want to always go above and beyond in our service with quality, timely delivery, nice designs and post purchase service. We will measure it based on responses on the feedback system on our website as well as reviews from external sources. Our goal is for most of these responses to be positive and to create raving fans.

Warranty or Guarantee Policies

It is very important for customers purchasing a room divider to know that the product will last for many years to come. Even though every room divider is a quality and durable product, EZ Timeout provides a 3 year warranty for every room divider you buy. Your divider is guaranteed to be free from defects in material and workmanship for three years from the date of delivery.

Distribution



Our method of distribution will be to sell directly to universities, retailers and through our own website. Cutting out wholesalers and selling directly will help us have better margins and make more in profits. We will be making about 34% in gross margins, losing about 25% in operating expenses and taxes and finally taking home about 10% in profits.

DESIGN AND DEVELOPMENT PLAN

Development Status and Tasks

We have since brought on board a lead product engineering consultant, Binyam Minassie to help in finalizing the concept designs. We are also in talks with a manufacturer to help with designs and also making a prototype.



The Product

- Ease of assembly
- Quick setup
- Multi-application

Cost: \$6/unit for aluminum (@ 0.68/lb.)

\$9.7/unit for Nomex fabric (@ \$1.50/m²)



The Product in Use

Dimension:

Vertical: 7ft

Horizontal: 10-25ft

Extras

Projector Screen

HDMI, USB, AUX Port

We still need to raise some funds to invest in polishing up designs, getting a patent and also to get a manufacturer to make a prototype for us. We need a professional manufacturer with experience in product design as well to help us come up with a product that is both attractive and saleable.

Difficulties and Risks

Major anticipated design and development challenges

- Figuring out how to make the projector work in tandem with the room divider- putting the aux cords into the poles to get sound. We will need to consult with an experienced manufacturer/designer to make the concept work.
- Finding functions to get patented. We will need to find an intellectual property lawyer to help us find functional patents.

Obviously, the factors mentioned above will increase and affect the cost of design and development and also the time we are able to introduce the product to the market.

Product Improvement

From the survey we sent out to 319 WMU Honors College Students, we got some suggestions on how we can meet the needs for students living on campus. Some of the suggestions were:

- Eliminate sound and light
- Having a room divider that can work in dorm rooms that have lofted beds.

We plan on developing products in the future that cater to these needs and continue to establish our brand as a company that is revolutionizing student living.

Costs

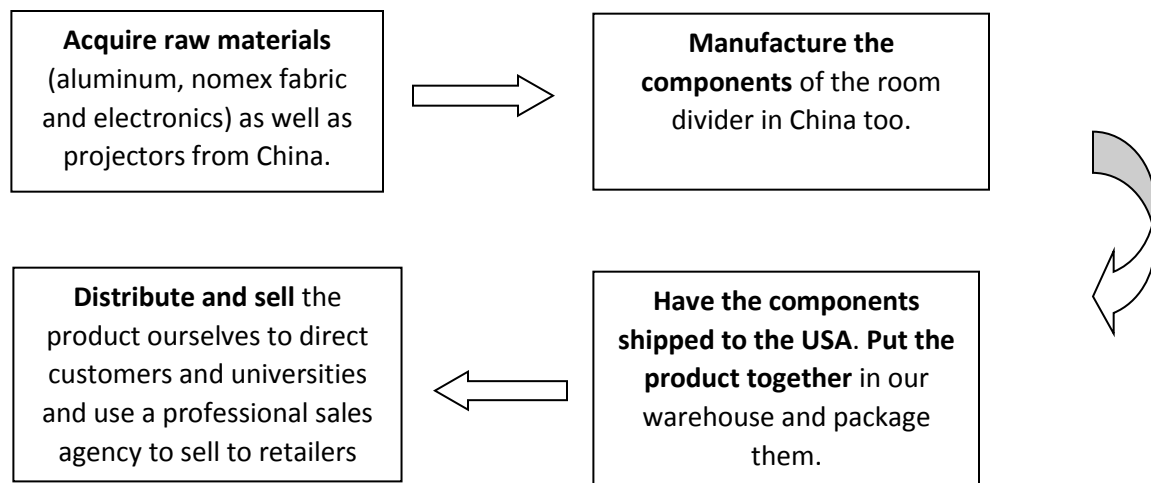
We have assigned \$30,000 towards our design & development budget which includes costs, consulting and material supplies.

Proprietary Issues/ Intellectual Property

We are looking to get a patent for the projector paired function with our room divider. We still need to find an intellectual property lawyer to help us with the patent application process.

OPERATIONS PLAN

Operating Model and Cycle



It only makes sense to source the raw materials from China as that will be closer to where the manufacturing will be. We believe the sourcing of materials and manufacturing in China will give us cost advantages. We will also look for a projector manufacturing company to partner with and purchase our projectors from them e.g. Sony and Phillips. The price range for projectors varies from \$20 even going up to \$4,000. We still need to decide on the quality and reasonable purchase prices we will use for buying the projectors we need for our business.

The ‘front stage’ operations involve managing the website, trade shows/presentations, business development, public relations and post-sale service. ‘Back stage’ operations involve sourcing raw

materials, coordination of manufacturing, shipping components to our warehouse, packaging and shipping.

To ensure quality consistency, we will do due diligence before we select a manufacturer and also carefully structure our contract agreements to make sure that certain quality controls are met or else there will be a breach in contract. We will also consult with industry experts on inventory control to have quality control measures within with our operations.

Operations Strategy

Activities in-house – receive manufactured components from China, put the products together and package them, handle inventory in our warehouse, market and distribute to direct customers and universities through our own website and sales representative.

Purchase - purchase the raw materials and projectors from China

Outsource – manufacturing components, marketing and selling to retailers through a professional sales agency.

We still need to identify and do due diligence on the company we will outsource the manufacturing to, where in China we will source the raw materials and finally who the sales agency will be.

Geographic Location

Our planned location if the business is Kalamazoo, Michigan and specifically in the industrial areas of the city. According to the Michigan Entrepreneurship Score Card, a report analyzing data from 2004 to 2014 (released by MI Quest), Michigan's entrepreneurial climate has experienced exceptional gains since 2009, when the state ranked among the bottom states for key metrics such as Growth in Establishments Gaining Jobs, Export Growth, and State Business Tax Structure. Michigan now ranks in the Top 10 for several growth-related metrics, such as 5 Year Survival Rates, and Small Business Payroll Growth. Among Michigan's top rankings are:

- Proprietor Income Growth – #3
- Favorable Business Taxes – #5
- 5-Year Establishment Survival Rate – #9
- State Business Tax Structure – #9
- Small Business Payroll Growth – #10
- Growth in Establishments Gaining Jobs – #10

We believe starting operations in Michigan will be ideal as Michigan is home to most of the major furniture businesses like Steelcase, Herman Miller, Haworth and many more. The state and local tax laws are favorable and there is a good supply of talent (labor).

Facilities, Equipment and Improvements

We will begin operations in a 10,000 sq. ft. building in Kalamazoo, Michigan. The building will have a section of it as an office space to handle the ‘front stage’ operations of the business as well as a warehouse which will have storage and space for packaging. We will lease the building for the first four years and then afterwards look to acquire a larger office space and warehouse to support the business as it scales up. We plan on finding a building to lease by March of 2017 to give us time to set up and make improvements before our formal commencement of operations in May of 2017. We will allocate \$46,600 towards the lease payments for the year and \$15,000 for leasehold improvements.

We will also need equipment to help packaging our products for shipping as well as to move around the inventory within the warehouse. We will spend \$10,000 in the first year to lease the equipment needed within our facilities.

Capacity Levels and Inventory Management

The total volume we can produce in a week is 170 units a day and 1200 units a week. We will use a ‘Just in Time’ inventory strategy to increase efficiency and decrease waste by receiving goods only as they are needed in the production process, thereby reducing costs.

Legal Issues Affecting Operations

In a production operation with outsourced production, there are legal issues governing the outsourcing agreement. The legal issues are:

- Taxation – before we outsource to China, we need to find out about the tax implications that we have to deal with.
- Different legal systems in the USA and China
- Dispute settlement – in the case of conflicts with an outsourced manufacturer in China, there will be challenges and many disputes over where to file and fight a case.

MANAGEMENT TEAM

Key Management Personnel

Emmanuel Machena, Co-Founder and CEO

Born and raised in Harare, Zimbabwe, Emmanuel is a Finance and Economics major in his Junior year at Western Michigan University. He has been in various leadership positions, which have allowed him to gain exceptional analytical, logical, and critical thinking skills. He was a member of Starting Gate, a business accelerator at Western Michigan University for the 2015 – 2016 school year working on EZ Timeout. In the summer of 2015 under the tutelage of Mathew Burian, the president of Millennium Restaurant Group he investigated cases, compiled, and crunched data that assisted the growth of a subsidiary restaurant.

Emmanuel has real, on-the-ground experience with customers on a daily basis. He also works at

two restaurant serving jobs, which allow him to interact with many guests weekly. Furthermore, in 2014, with the Glazer Kirby Company, he handled door-to-door sales operations, which strengthened his negotiation and bargaining techniques.

Emmanuel's duties will be to manage the 'front stage' operations of the business: marketing, website, business development as well as creating systems to facilitate the growth of the company.

Simbarashe Chirara, Co-Founder and CFO

Simbarashe is graduating in Spring 2016 with a Bachelor's degree in Finance and Entrepreneurship. Simbarashe has been an intern at Greenleaf Trust (Kalamazoo based wealth management firm) for the past two years where he has many roles, analyzing and researching on attractive investments for the company, creating wealth management plans for clients, and performing account reviews and making trades for clients. Simbarashe will take up a full time position with the company upon graduation. He was also a member of Starting Gate working on EZ Timeout.

He was also part of the award winning course "Entrepreneurship - Understanding Startup Communities" led by Dr. John Mueller, on which members travelled to Austin, Boulder, Chicago and Detroit to see what was caused those startup communities to be vibrant. From his experiences as a bellman at the Radisson Hotel, Simbarashe has developed great communication skills. Simbarashe was also born and raised in Harare, Zimbabwe.

Simbarashe's role will be to manage the "back stage" operations which include supply chain and logistics, financial forecasting and capital allocation.

Management Compensation and Ownership

Both Emmanuel and Simbarashe currently have a 50% stake in the business. We have not given out any ownership stake to any investors or individuals. We also have agreed not to take any compensation in our first year of operations, however both Emmanuel and Simbarashe will take \$30,000 each in the second year and \$39,000 in the third year. However, we are looking at raising \$150,000 for a 20% stake in the business with the money being used for startup expenses. This will result in the dilution shares as follows: Emmanuel and Simbarashe – 40% stake and outside investor(s) – 20% stake in the business.

Mentors

Dr. Laurel Ofstein

Dr. Laurel Ofstein holds a Ph.D. in Business Administration with a focus in entrepreneurship from the University of Illinois at Chicago. She actively studies the innovation techniques of entrepreneurs, as well as their intentions and behaviors. Laurel works with students at WMU to develop them as leaders and successful entrepreneurs.

Lara Hobson

Lara Hobson is currently the coordinator and manager of Starting Gate. She actively works with startup businesses from all over Michigan on a daily basis. Lara owns a small business herself and has extensive experience in the entrepreneurial field. Lara also teaches management classes at WMU.

Dr. Matthew Ross

Dr. Matthew Ross has a Ph.D. in finance from Wayne State University in 2014, and holds an MBA in finance from Drexel University and a B.S.E. in chemical engineering from the University of Michigan. Dr. Ross has a lot of experience in financial forecasting, analysis and budgeting as a former project engineer at Sunoco. He has also worked with a number of startups within Michigan.

SCHEDULE

Achievements

September 2015 – January 2016

- Birth of Idea
- Starting Gate
- Concept design
- Customer discovery

January 2016 – April 2016

- Surveys
- Logo
- Added Binyam Minassie as Lead Design Consultant
- Finalized designs
- Business Plan completed

Milestones

Future – Goals

- May 2016 - Continue customer discovery
- May 2016 – Register company
- July 2016 – Build prototype
- August 2016– Create website
- September 2016– Identify manufacturers, sources of raw materials and supplier of projectors
- November 2016– Start looking for office space and warehouse
- December 2016– Raise funding
- January 2016– build 100 prototypes to test on the market and continue improving
- February 2017 – Acquire leasing building for office space and warehouse

- March 2017 – Hire employees to commence operations
- March 2017 – Make improvements to property, lease out vehicles and equipment
- April 2017 – Source materials and begin production
- May 2017 – Officially commence operations

FINANCIAL PLAN

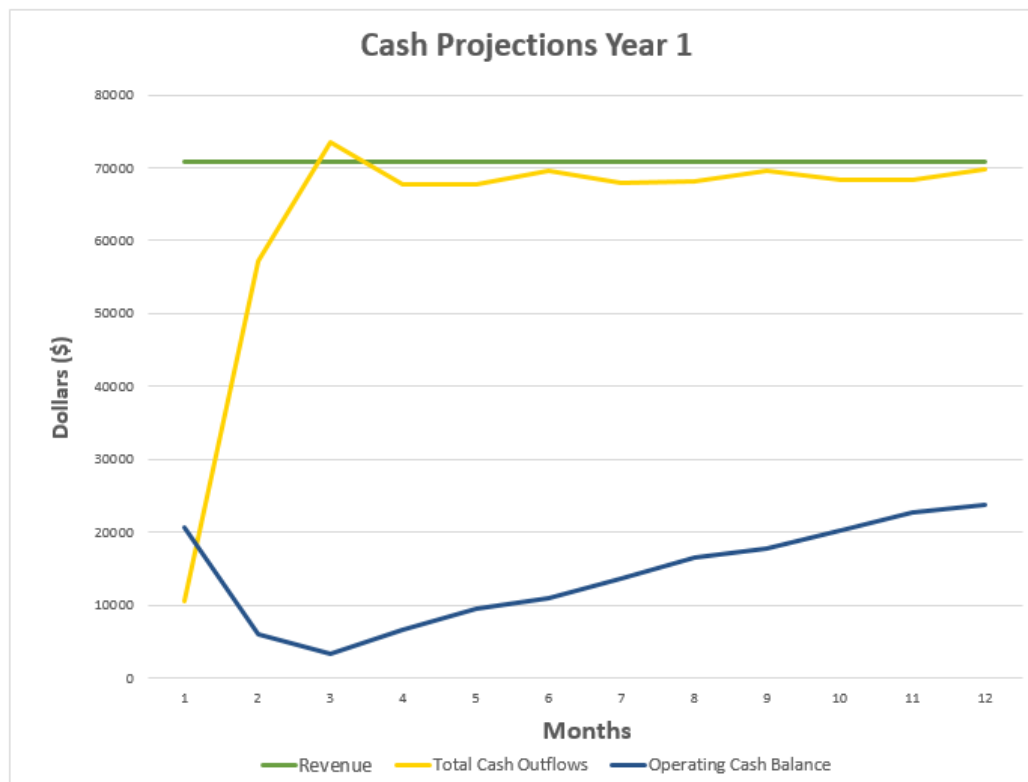
Preliminary Financial Projections

The following are preliminary financial projections for the business. Detailed financial projections are difficult to come up with without additional information regarding product design, manufacturing, distribution, and sales plan specifics. We estimate revenues of \$850,000 in year 1, \$1,190,000 in year 2 and \$1,666,000 in year 3. Gross margins will be 34%, 36% and 37% in years 1, 2 and 3. The business will also be profitable bringing in an estimated \$11, 104 in year 1, \$15,822 in year 2 and \$112,031 in year 3. The cash balance will be positive, steadily increasing up to \$23,714 in year 1. Below are diagrams that show our forecasts for our financials.

Cash Flow Forecast Year 1

Prepared By: Simba Chirara
Company Name: EZ Timeout

	May	June	July	August	September	October	November	December	January	February	March	April	Totals
Beginning Balance	\$ 10,000	\$ 20,706	\$ 5,996	\$ 3,361	\$ 6,492	\$ 9,524	\$ 10,865	\$ 13,697	\$ 16,428	\$ 17,649	\$ 20,181	\$ 22,613	
Cash Inflows													
Cash Sales	21,250	21,250	21,250	21,250	21,250	21,250	21,250	21,250	21,250	21,250	21,250	21,250	\$ 255,000
Accounts Receivable	-	21,250	49,583	49,583	49,583	49,583	49,583	49,583	49,583	49,583	49,583	49,583	\$ 517,083
Total Cash Inflows	\$ 21,250	\$ 42,500	\$ 70,833	\$ 70,833	\$ 70,833	\$ 70,833	\$ 70,833	\$ 70,833	\$ 70,833	\$ 70,833	\$ 70,833	\$ 70,833	\$ 772,083
Cash Outflows													
Investing Activities													
New Fixed Asset Purchases	-	-	-	-	-	-	-	-	-	-	-	-	\$ -
Additional Inventory													\$ -
Cost of Goods Sold	-	46,667	46,667	46,667	46,667	46,667	46,667	46,667	46,667	46,667	46,667	46,667	\$ 513,333
Operating Activities													
Operating Expenses	-	-	10,391	10,491	10,591	10,691	10,791	10,891	10,991	11,091	11,191	11,291	\$ 108,413
Payroll	10,544	10,544	10,544	10,544	10,544	10,544	10,544	10,544	10,544	10,544	10,544	10,544	\$ 126,525
Taxes	-	-	5,867	-	-	1,590	-	-	1,410	-	-	1,230	\$ 10,098
Financing Activities													
Loan Payments	-	-	-	-	-	-	-	-	-	-	-	-	\$ -
Owners Distribution													\$ -
Line of Credit Interest			-	-	-	-	-	-	-	-	-	-	\$ -
Line of Credit Repayments													\$ -
Dividends Paid													\$ -
Total Cash Outflows	\$ 10,544	\$ 57,210	\$ 73,463	\$ 67,702	\$ 67,802	\$ 69,492	\$ 68,002	\$ 68,102	\$ 69,612	\$ 68,302	\$ 68,402	\$ 69,732	\$ 758,369
Net Cash Flows	\$ 10,706	\$ (14,710)	\$ (2,635)	\$ 3,132	\$ 3,032	\$ 1,341	\$ 2,832	\$ 2,732	\$ 1,221	\$ 2,532	\$ 2,432	\$ 1,101	\$ 13,714
Operating Cash Balance	\$ 20,706	\$ 5,996	\$ 3,361	\$ 6,492	\$ 9,524	\$ 10,865	\$ 13,697	\$ 16,428	\$ 17,649	\$ 20,181	\$ 22,613	\$ 23,714	
Line of Credit Drawdown	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Ending Cash Balance	\$ 20,706	\$ 5,996	\$ 3,361	\$ 6,492	\$ 9,524	\$ 10,865	\$ 13,697	\$ 16,428	\$ 17,649	\$ 20,181	\$ 22,613	\$ 23,714	
Line of Credit Balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -



Balance Sheet Years 1-3

ASSETS	2017	2018	2019
Current Assets			
Cash	23,714	47,992	162,546
Accounts Receivable	77,917	109,083	152,717
Inventory	30,000	30,000	30,000
Prepaid Expenses	51,911	25,955	-
Other Initial Costs	6,667	3,333	-
Total Current Assets	\$ 190,208	\$ 216,364	\$ 345,263
Fixed Assets			
Real Estate -- Land	-	-	-
Real Estate -- Buildings	-	-	-
Leasehold Improvements	15,000	15,000	15,000
Equipment	10,000	22,000	36,000
Furniture and Fixtures	3,000	3,000	3,000
Vehicles	-	-	-
Other	2,000	2,000	2,000
Total Fixed Assets	\$ 30,000	\$ 42,000	\$ 56,000
(Less Accumulated Depreciation)	\$ 4,571	\$ 10,071	\$ 17,440
Total Assets	\$ 215,636	\$ 248,292	\$ 383,822
LIABILITIES & EQUITY			
Liabilities			
Accounts Payable	46,667	63,500	87,000
Commercial Loan Balance	-	-	-
Commercial Mortgage Balance	-	-	-
Credit Card Debt Balance	-	-	-
Vehicle Loans Balance	-	-	-
Other Bank Debt Balance	-	-	-
Line of Credit Balance	-	-	-
Total Liabilities	\$ 46,667	\$ 63,500	\$ 87,000
Equity			
Common Stock	157,866	157,866	157,866
Retained Earnings	11,104	26,926	138,957
Dividends Dispersed/Owners Draw	-	-	-
Total Equity	\$ 168,970	\$ 184,792	\$ 296,823
Total Liabilities and Equity	\$ 215,636	\$ 248,292	\$ 383,822

Financial Ratios

The current ratio for EZ Timeout starts way off in year and aligns to the industry norm by year 3. The quick ratio does not compare very well with industry norms at first and then almost doubles the industry norm of 1.8x by year 3. The gross margins and net profit margins are estimated to be doing better than the industry norms by year 3.

Ratios	Year One	Year Two	Year Three	Industry Norms	Notes
Liquidity					
Current Ratio	4.1	3.4	4.0	4.0	
Quick Ratio	2.2	2.5	3.6	1.8	
Safety					
Debt to Equity Ratio	0.3	0.3	0.3	0.0	
Debt-Service Coverage Ratio - DSCR	0.3	0.3	1.4	0.0	
Profitability					
Sales Growth	0.0%	40.0%	40.0%	0.0%	
COGS to Sales	65.9%	64.0%	62.7%	0.0%	
Gross Profit Margin	34.1%	36.0%	37.3%	35.0%	
SG&A to Sales	27.6%	30.8%	26.3%	0.0%	
Net Profit Margin	1.3%	1.3%	6.7%	5.0%	
Return on Equity (ROE)	6.6%	8.6%	37.7%	0.0%	
Return on Assets	5.1%	6.4%	29.2%	0.0%	
Owner's Compensation to Sales	0.0%	5.0%	4.7%	0.0%	
Efficiency					
Days in Receivables	33.0	33.0	33.0	0.0	
Accounts Receivable Turnover	10.9	10.9	10.9	0.0	
Days in Inventory	19.3	14.4	10.5	0.0	
Inventory Turnover	18.7	25.4	34.8	0.0	
Sales to Total Assets	3.9	4.8	4.3	4.6	

References

Score Template for Financial Projections

<https://www.score.org/resources/financial-projections-template>

Industry data: IBIS World

<http://clients1.ibisworld.com/?u=yisUFcaG1Ps9MuAg7lM2+g==&p=8+ZIUKWA+lGBYXR6R2FKeg==>

Back to School Statistics: Fast facts. National Center for Education Statistics

<http://nces.ed.gov/fastfacts/display.asp?id=372>

What percent of college students live on campus?

<http://www.ask.com/education/percent-college-students-live-campus-d1d5a0fac8718894>