



U-Brew Business Plan

Clean, Easy, Stress Free Brewing Experience

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Executive Summary

This business plan is provided to outline the opportunity to open a full service wine and beer kit store providing both traditional home-brewing supplies and in-store brewing capability. Provincial legislation allowing on-premise brewing changed only in 2009, resultantly there is very little competition in Saskatoon for these services.

The store will be named U-Brew, representing the simplicity and ease which that the consumer will be able to enjoy while brewing their own kits.

The store will be a full service wine and beer kit supplier for home brewers. Using a worldwide supplier, the store will stock an array of wine juice kits to meet a variety of palates. Additionally, bottles, carboys, filters, corks, hydrometers, and all other array of kit completion supplies will be available for sale.

Importantly, approximately half of the store will be dedicated to assisting the customer in the brewing process. Rather than the customer worrying about managing the wine-making process for six-to-eight weeks in their homes, U-Brew staff will care for all of the readings, racking, storage, and ongoing management of the kit completion. The customer simply returns to bottle their wine in comfort, using top of the line tools and techniques made available in-store.

Financing

An initial capital investment of approximately \$75,000 will be required to complete leasehold improvements, purchase initial retail inventory, and procure additional supplies to assist with in-store brewing. A \$25,000 line of credit (or additional equity financing) is recommended to care for ongoing operational costs.

- First year profitability, including a \$75,000 owner salary
- NPV of \$262K, Net payback of \$844K, and a non-leveraged IRR of 125.6%

Operations

The store will be operated by the owner, and calls for one full time employee. These two will be required to assist with retail sales, kit creation, ongoing kit management, customer contact and scheduling, and customer bottling assistance. The owner is also responsible to ensure stock levels are monitored and maintained.

The U-Brew store will be strategically placed in downtown Saskatoon – ensuring high traffic visibility, ease of access by both professionals and key markets in the West and North.

Human Resources

Staff will be trained by the owner/operator, and additional part time staff may be required as early as the second year of operation. A slightly modified work week enabling after core hours is required to meet customer needs, however these are less demanding than typical retail.

Marketing

U-Brew will differentiate from its competitors by leveraging its superior location, introduce loyalty programs, focus on the beer-kit capability, and embracing electronic advertising and social media. Of course, the in store brewing experience will be heavily touted.

For ease of reading, this report will generally refer to both wine and beer kits as 'wine kits' or simply 'kits'. This singularity of thought is only to minimize reading distractions, and should be referred to as both wine and beer kits.

Introduction

Mission Statement

“To ensure an easy and stress free kit-brewing experience”

To enable the mission statement, we will provide superior customer service, bright and clean facilities, clear and concise assistance, and an atmosphere that brings fun into the experience.

In case of discrepancies regarding the final quality of the kit, U-Brew will fully warrant the product, and in-store brewing process, to ensure utmost quality and customer satisfaction.

Goals and Objectives

- 30% ROI on a 5 year plan
- 10% growth rate year over year
- Breakeven or better in the first year

Operational Plan

This business will be a clean, efficient, and fun place for a home wine-kit and beer brewer to produce an array of products to suit their needs. The intention is to allow for the low cost of spirits-making without the distraction of doing so at home. Consumers can select the kit of their choice, and after starting the process do not have to perform any activities until the bottling process. The process of starting the kit is provincially mandated and the customer must be present for this step.

All of the monitoring, racking, and general maintenance will be done by U-Brew staff during the 6-8 week process, the consumer simply returns to bottle the product.

A retail space will be included in the plan where home-brewers can still purchase their wine-making supplies (labels, corks, testing equipment, etc). This will include both display cases, simple shelving, and several large display boards for easy selection and access.

Organizational Structure

The business will be very simple, with the Owner/Operator overseeing a total of one staff. S/he will be required to coordinate all ordering, shipping/receiving, management of staff, licensing, etc.

The legal structure will be a sole proprietorship to allow for simple and aggressive business choices if required. Extra layers of structure are unrealistic for such a small endeavor.

The sole proprietor is a business professional of 18 years. He has been part of a management for 10+ years, worked with budget of up to ~\$35M, and his current role focuses on strategy and growth initiatives. Has had staff compliment of up to 18. He is also excited about the opportunity to apply his business background into a new initiative that is a personal passion.

Site Plan

The 1200 square foot building (50' X 24') will be divided into approximately two halves. The retail half will provide visually appealing displays of the products, including kits and commodity items for sale. Additionally the retail area will have space for three easy-to-use work areas specially designed for bottling wine, with running filtered water, room for carboy and wine bottles, wine bottle sanitation, state-of-the-art filling tools, and easy corking and labeling.

The brewing area will have washroom facilities, a delivery area, a storage room for supplies, a brewing station with running filtered water and ample counter space, and room for 300 carboy/fermenters to brew the kits.

U-Brew Floor Plan



Capacity

Staffing required for kit completion is covered under the Human Resource section below.

The plan calls for **20 24" X 48" X 72"** shelving units in the main brewing area, each provided with three shelves, expandable to four shelves each. Measurements suggest that 5 fermenter/carboy bottles can reside comfortably on one shelf, equaling a capacity of 15 for each shelving unit. Therefore, storage capacity is a total of (20 units * 15 kits/each) 300 kits.

Each kit will reside on the shelf for approximately 6 weeks, meaning an expected high of approximately 216 kits (36 days * 6/day) during any 6 week window. Storage capacity therefore is 40% greater than anticipated volume. In fact, the storage capacity is almost large enough for the 5th year capacity requirements of 324 kits (36 days * 9/day) during any 6 week window.

Additional storage can be provided by purchase of additional shelves for existing units. This will add capacity for 5 kits on each shelving unit, or (5 kits * 20 units) 100 kits in aggregate, without using any additional floor space. New shelving units can also be purchased, as there is floor space for approximately 5 more shelving units, representing storage for (5 units * 20 kits/each) another 100 kits.

At a theoretical maximum, this suggests up to 500 kits during any 6 week window, which can be accommodated with minimal expense and without the need to move to a new location. It would mean:

- A 65% increase in the initial storage capacity
- More than double the initial estimate of 6/day, to almost 14/day

Even with theoretical maximums being reached, the cyclical nature of the business would allow some capability to fulfill customer needs on a slightly different timeline.

Customer

The types of customers can be neatly separated into three different categories:

Retail shoppers – this customer is coming to browse and buy wine kit(s) for their personal use at home. They likely enjoy the process of wine making at home and have the facilities to enable successful completion of the kits. They will also be looking for basic supplies such as corks and labels, but may also be looking for superior tools such as advanced filtration systems, more efficient corking machines, or hydrometer/specific gravity tools.

Wine creation – these customers are actually using the services/facilities of the store to build their own wine kit on premises. These customers would be brought to the rear of the store where the wine creation process will occur. One of the staff would assist the customer in 'building' the wine based on the wine kit. Once the kit has been started, the customer needs to fill out a card with preferences of contact, and be further advised of the process.

Wine bottling – these customers are returning to put their finished product in their bottles. The bottles should arrive ready to be rinsed, cleaned with solution, and filled with wine. The customer would be helped to enjoy a stress-free experience of bottling their own creation, including the option to use shrink tops, custom labels, and corkage. Sampling glasses would always be available!

The environment will feel very casual and enjoyable. The staff will be extremely intimate with the wine making process and preferably be wine connoisseurs themselves to offer suggestions regarding types of wine and kits that they enjoyed. It is anticipated that the store be a place known for expert advice on wine kits. The process to buy commodity supplies will also be seamless and simple, and the kits themselves will clearly show the quality vs price.

A small section of the store will be dedicated to specialty items with a much lower turnover rate.

The Process

Although it varies, the general process for making wine is that concentrated grape juice is mixed with water, and then yeast is added to begin the fermentation process. Different flavors and additives are included to allow some individuality to taste. Throughout the six week window, the wine may need to be 'racked', which means it is moved from container to container, one or more times. Throughout this time, careful monitoring should be completed to ensure the alcohol content is correct, the specific gravity is maintained, and the temperature is constant. Once the wine has worked through all of the yeast, it is ready to be bottled.

Home brewers often simply siphon wine into bottles, but this requires lifting of heavy containers onto elevated platforms, introduces sediment into the bottles, and is somewhat slower. Specialized filtering equipment is available to allow for easy movement of the wine into bottles without sediment.

Quality Control Plan

The building will have temperature and humidity control. The 'brewing room' in the building will also have a monitoring device that will report on major temperature variances 24X7 if any changes occur that could impact the wine-making process.

Each container of product will be assigned a specific number, which is then associated with the customer. No names will be visible on any container at any time. Date/time of 'creation' will be attached to each container as applicable. The number will be copied to a simple Outlook calendar, which will provide daily reminders exactly when the product needs to be racked, checked, etc. These calendar reminders will provide part of the daily operational schedule for all employees to perform and update.

Average Business Day/Week/Year

Hours of operation: M-T-W-F 9:00 am - 6:00 pm (9 hours); Th 9:00 am – 9:00 pm (12 hours); Sat 12:00 pm – 5:00 pm (5 hours) = 36 + 12 + 5 = **53hours/week.**

We have identified the need to have evening hours to allow for busy customers to come in and buy, create, and most importantly bottle their product outside of general working hours. The regular hours are simply table stakes to operating a retail storefront.

A minimum of two employees, one of which would undoubtedly be the owner/operator will be on site at all times. They will assist customers with wine selection, process customer retail sales, assist with wine creation, and assist customers with wine completion. Throughout the day, they will monitor/maintain the existing wine on-the-go as required, however the focus will be on customer as they come through the door.

Specific times will be coordinated with the customers to complete the 'creation' or 'completion' aspects of the wine making process. If a customer comes in and the time and capacity exists to perform either of those steps, it can be completed without a previous appointment. Additional store hours may be added for special circumstances.

The manager will on at least a weekly basis determine how much stock has been depleted and what new goods need to be replenished. A daily tally of revenue will be completed for trending review. A monthly review of stock movement will be completed to monitor trends and inventory best sellers. This monthly review will identify slow moving stock with limited shelf life remaining for sales promotions and price reductions.

Annual statements will be completed by the owner or designate.

Supply Analysis

A single supplier has been chosen to launch the business. Vineco has the capability to supply all necessary supplies for the successful operation of the business. They have a worldwide presence, shipping capabilities into Saskatoon, and an easy to use menu-type selection of products.

The risk in using Vineco is that other competitors use the same supplier which allows for little product differentiation to the consumer. A single supplier is a risk, however additional suppliers can be sought out for pricing and competitive advantage once the business is thriving.

Capital Requirements

For detailed budget, please refer to Appendix: Detailed Inventory Budget

Start up costs are relatively minimal for this business.

Capital Budget	
Retail Inventory	20, 125
Wine Making Supplies	9,561
Building Costs	41,000
Total Capital Costs	\$70,686

HR Plan

Due to owner involvement and minimal staffing needs, the startup HR plan is relatively simple. The owner/manager needs to hire one additional staff to enable successful operation of the business.

Staffing

Owner/Manager (9:00am – 6:00pm) + additional time as required

- Salaried Employee @ \$75,000 / year
- Oversee operations
- Wine kit sales
- Wine kit creation
- Wine kit bottling
- Training of new staff
- Hire / maintain staff and schedule
- Monitor and order inventory as required (daily)
- Monitor and react to stagnant inventory (weekly)
- Analyze inventory turnover (yearly)
- Complete financials (yearly)

Staff

- Permanent full time @ \$15 / hour
- Part time @ \$13.50 / hour
- Provide customer assistance
- Wine kit sales
- Wine kit creation
- Wine kit bottling
- Ongoing wine creation monitoring and maintenance

Day	Manager (Salary)	Full Time 1	Part Time 1 *starting year 2	Total
Monday	8	7		15
Tuesday	8	7		15
Wednesday	8	8		16
Thursday	8 (split shift)	8	4	20
Friday	8	8	3	19
Saturday	5		5	10
	45	38	12	95

*Part time requirement calculation based on \$300,000 in additional sales which based on the model will equal ~\$150,000 in wine kit creation.

- \$150,000 in kit creation @ \$75 each = ~2000 additional kits.
- Estimated at approximately 1 hour/kit time required
- Therefore approximately 1 FTE (1960 hours) for 2000 additional kits

The part time requirement will be monitored closely for the first year. The expectation is that additions will not be required until early 2012.

Training

Staff will be provided with hands-on training for both retail sales process and wine kit creation process. Since these are customer facing priorities, personalities must be carefully selected. In addition, duties will include the daily/weekly monitoring of the kits as they are created, racking of wine as required, coordination of bottling times with the customer, and other ongoing duties as required.

It is anticipated that the staff will have a background conducive to the wine-making process. For business case purposes, it is anticipated a full time staff member will be required. In reality, this position could be split amongst two people – perhaps retirees who have a pre-existing knowledge of the wine making practice, a more mature palate, and a sage advice regarding wine selection. With the appropriate tools, there should be minimal lifting of heavy items which works well in this demographic.

The part time staff (once required) could be either from the aforementioned retiree talent pool but is certainly not a requirement. It is expected that a college student looking for after-school work would be an appropriate choice as well.

Salary Expectations

Since this is a small operation, the staff will report to the owner of the store.

Salary and Wage Costs	2012	2013	2014	2015	2016
Manager	75,000	76,875	78,797	80,767	82,786
Full time staff	29,400	30,135	30,888	31,661	32,452
Part time staff	2,117	5,904	10,368	15,615	21,770
Total Salaries and Wages	106,517	112,914	120,053	128,043	137,008

Marketing Plan

In April, 2009 the Saskatchewan Provincial Government lowered restrictions on the sale and production of alcohol in Saskatchewan. Of interest to U-Brew are the laws regarding home-brewing and wine-making, which were adjusted to allow for a production area in-store for customer use. (Please see Appendix)

Market Data

Saskatoon has a population of approximately 243,000 (2010 SHA Census). The target market is both men and women who are middle-aged professionals aged 30 – 55. In this age group we see a generally higher income, time is at a premium due to work and family commitments, a more intense desire to enjoy their alcohol, as well as maximize the economies around their consumption.

The 30 – 55 demographic makes up approximately 90,000 people in Saskatoon alone. The base case calls for 6 sales / day, for approximately 2100 wine kits sold/brewed. That means reaching one out of every 43 people in the demographic per year. It is not unreasonable to expect to capture 30-35% of the market, which represents approximately 1 out of every 15 people in the target demographic.

A 2010 SHA Census estimates growth of the young and old labor force to be the largest increases until 2026. Regardless of projection scenarios (low, medium, high) – the key demographic of working adults has the highest growth potential.

Some consideration was given to serving a younger demographic; such as college students or young couples; as represented by age 20 – 29. While these age groups will certainly be welcomed, there is concern that they will neither have the same disposable income, nor disposition to be readily invested in the brewing process. It is simpler at this age to pick up a case of beer, or bottle of wine, on the way to an event, rather than plan for the event six weeks in advance, and pre-invest in multiple bottles for the occasion.

Location

Initial location ideas included a more zone-specific model, (as displayed by Let's Make Wine) by leasing space in a new building in the Stonebridge area. This would serve a rapidly growing neighborhood effectively, but minimize exposure to the rest of the city.

Key competitors do not have a location that expressly caters to the West and North of the City. Key neighborhoods, such as Montgomery, Silverwood, Lawson Heights, River Heights, and City Park are resultantly underserved. The downtown location serves as an easy conduit to currently underserved markets.

Pricing Strategy

Our goal is to maintain 45% margin on goods sold. This is industry standard, and prices of the raw goods will similarly affect all competitors.

There will be times when a slight change to the marketing mix may be required to keep pace with competitors. We will be willing to modify kit pricing to encourage new customers, with a focus on providing the brewing capability in store.

Product Differentiation

With the plethora of stores selling wine kits, the ability to differentiate based on product and price is minimal. In fact, most kit stores rely on the same vendor to provide products and supplies.

To differentiate, U-Brew will approach the market with several distinguishing features.

Leverage new advertising mediums

You Brew will embrace both traditional means of advertising and new advertising capabilities.

Marketing budget has been set aside to reach the upper-age of our key demographic through radio and print advertising. Print advertising will be targeted to specific neighborhoods with the highest concentration of 30-55 year olds. The message will continue to impress the ease of process, lack of stress, and economic benefits.

Additionally, and key to You Brew's success, will be embracing of digital mediums. This includes an interactive Facebook account, Twitter presence, advertising and specials through online couponing sites, in addition to an informative web site. These mediums have only marginally been leveraged by competitors to date.

Increase exposure to beer-brewing kits

The improvement to home beer making kits has been dramatic over the last several years. Very little information and collateral exists in the market to highlight this component of the home kit-making business. Obviously, this tactic can be easily followed by competitors, but will serve to differentiate in the immediate future.

Location

The downtown location offers a convenient and central spot that caters to the busy lifestyles of our key demographic. Whether selecting and starting, or finishing and bottling a kit, the location will allow professionals to stop on the way home from work, potentially avoiding outgoing traffic by spending some time in-store instead.

For those not working in the downtown core, the storefront also offers reduced driving time and ease of access for individuals living on the West and North side of the city. While driving times are not exorbitant anywhere within Saskatoon, the central location is well known and directions are easy with known landmarks surrounding the site. (eg. "Penny Lane Weddings/Baker Bros Furniture store", or "Across from Egadz", or "a block from Midtown")

The location might also appeal to those who are travelling downtown for shopping/appointments – enabling them to accomplish multiple activities which are available in the downtown core. In fact, this could be part of an advertising campaign such as "Wine and a Movie" – where free tickets to a movie would be provided on the same night that the customer's kit is started or bottled.

The highly visible frontage is seen by almost all traffic heading to popular Midtown Plaza, and the simple name of the company conveys the key message without complication.

Loyalty

To help encourage return customers we will be offering a loyalty card that provides a free brewing experience for every 10th kit. This will be used in conjunction with several other anticipated programs, such as half-price or two-for-one brewing, wherein each of those programs would contribute accordingly to a total of 10 brews. (eg. 2 for 1 = 1 brew).

Competition

Google wine making saskatoon

Get directions My places

wine making near Saskatoon, SK

- Canadian Wine Making** Ad
Online Shopping. Wine & Beer Kits, Fruit Wine Additives and Equipment. www.clickabrew.com
- Amico's Wine Making**
216-2750 Faithfull Ave, Saskatoon, SK S7K 6M6
(306) 652-9463
beer making equipment · 45th st · makers' equipment · italian imports
- Wine 4 You**
2600 8 Street East, Saskatoon, SK S7H 0V7
(306) 955-4455 · wine4you.ca
- Wine Kitz**
110-1526 8th St E, Saskatoon, SK S7H 0T3
(306) 653-9463
"Wine Kitz. (306) 306-653-9463. 1625 8th St E, Saskatoon, SK S7H0T2. Wine Making & Beer Brewing Equipment. (306) 306-653-9463. Map & directions" - yellowpages.ca
- Poplar Springs Wine & Beer Making Supplies Ltd.**
2105 8 Street East, Saskatoon, SK S7H 5N9
(306) 477-7799
- Wine Kitz**
116B Avenue B North, Saskatoon, SK S7L 1C8
(306) 665-1914 · winekitz.com
"Sign-up now to receive the latest information on winemaking along with the Wine

Map showing 12 locations (A-L) in Saskatoon. Location U is highlighted with a white arrow and the text "U - Brew".

There are approximately 12 stores that sell wine kits to the Saskatoon area. Although all of the stores are competitive, the differentiating factor is in-store brewing. To date, only two wine-kit stores offer the in-store brewing capability. Both offer clean, new stores located on the East side of Saskatoon.

Competition Map

Location	Brand Promise	Attraction	Price
<p>Wine 4 You</p> <p>Multi-Tenant Strip Mall</p> <p>2600 8th Street E</p>	<p>“Your Wine, Our Time”</p> <p>“Open, Honest, Friendly and Knowledgeable People are There to Help You”</p>	<p>Very bright and clean store, with glass wall showcasing brewing in progress.</p> <p>Central location on busy street with high traffic</p>	<p>Moderate-High</p> <p>-somewhat flexible pricing sensitive to customer budget</p>
<p>Let’s Make Wine</p> <p>Limited Tenant Strip Mall</p> <p>406 Ludlow Street</p>	<p>“Make your win in-store! You start it and bottle it, and the staff does all the hard stuff in between.”</p>	<p>Simpler store design, based on model from Yorkton store (owner owns both)</p> <p>University Heights area services key markets including Silverspring, Forest Grove, Erindale, Willowgrove, Arbor Creek</p>	<p>Moderate – Low</p> <p>-\$50 brewing fee</p> <p>-showcasing of lower priced wine kits</p>
<p>You Brew</p> <p>275 1st Ave N</p> <p>Two-Tenant Building</p> <p>275 1st Ave N</p>	<p>“Clean, Easy, Stress Free Brewing Experience”</p>	<p>Similar store design to Wine 4 You – with large glass doors opening to brewing area.</p> <p>Central location offering ease-of-access to both West and East Side</p> <p>Central Business District is the top Commuter Destination in Saskatoon</p> <p>Also offering beer brewing kits</p>	<p>Moderate</p>

Opportunity

The store will be open for 53 hours per week, which means a total of 2756 hours in operation.

During this time, the expectation is that 2160 kits will be sold and brewed.

On average, that means a sale every 1.25 hours.

Schedule 2: Revenues		2012	2013	2014	2015	2016
Number of Customers/day		6	7	7	8	9
Number of Days/year		360	360	360	360	360
Average Purchase/customer		\$ 150.00	\$ 153.75	\$ 157.59	\$ 161.53	\$ 165.57
Total Sales		324,000	365,310	411,887	464,403	523,614
Growth Rate Number of Customers		10%	10%	10%	10%	10%
Revenues						
Kits	50%	162,000	182,655	205,944	232,201	261,807
Brewing	50%	162,000	182,655	205,944	232,201	261,807
Other	0%	-	-	-	-	-
Total Revenues		324,000	365,310	411,887	464,403	523,614

Financial Plan

To fund the start-up of U-Brew, the owner will put forward \$75,000 investment into the business. This will allow for the required start up inventory (~\$30K), and necessary leasehold improvements (~\$40K). He will be asking the bank for a line of credit to ensure necessary working capital (~\$20K) is available.

Capital requirements are therefore relatively small. It is expected that the leasehold improvements will suffice for past the term of the lease and will not be incurred again in the near future. The start up inventory costs have been estimated at full capacity, which in reality will not occur in the initial month or two of startup. However, having a full inventory will ensure best selection of product for the consumer.

Working capital is required for renewal of the kits themselves (\$8,900) and other ongoing accounts payable (\$11,000). The owner is anticipating the need for a line of credit to cover these ongoing expenses in the near term, and working to ensure a positive bank balance by end of first year.

The financial analysis included in the appendix includes a five year forecast from 2012 – 2016 inclusive, as well as sensitivity and investment analysis. Some key assumptions and definitions are recorded below.

Schedule 1: Economic Variables

Standard interest and inflation rates are anticipated in the near future. Arguably, lower interest rates could be anticipated – however with zero debt financing this is a moot variable.

Schedule 2: Revenues

The Marketing plan highlights the expectation that 6 kits can be sold and brewed every day, which represents a purchase from just 1 in every 15 people in the key demographic over the course of the year.

Sensitivity analysis has shown that this can drop to as low as 4 kits per day while still maintaining a positive 5 year net profit. 5 kits are required to ensure a first year break-even.

Number of Customers	5 Year Profit	IRR	NPV
4	\$ 10,546	23%	\$ (12,966)
5	\$ 164,685	68%	\$ 91,707
6	\$ 318,825	105%	\$ 196,842
7	\$ 472,964	140%	\$ 301,978
8	\$ 627,103	174%	\$ 407,114

Additionally, an average per-customer rate of \$150 has been identified, which was determined by an average brewing price of \$75/kit, and an average selling price of \$75/kit.

These are conservative estimates, as the average brewing price includes estimates to aggressively discount during the first year of operation due to marketing promotions. The average kit price is based on a formula aggregate of a large number of multiple-priced kits at a 45% markup which is actually several percentage points higher than the value used here.

Most importantly, the average per-customer rate is less important than the number of customers, as sensitivity analysis shows minimal impact based on the overall price – with a minimum per-customer rate of around \$112, demonstrating tremendous price flexibility.

Average Purchase Price	5 Year Profit	IRR	NPV
\$ 140.00	\$ 257,169	91%	\$ 154,755
\$ 145.00	\$ 287,997	98%	\$ 175,798
\$ 150.00	\$ 318,825	105%	\$ 196,842
\$ 155.00	\$ 349,652	112%	\$ 217,886
\$ 160.00	\$ 380,480	119%	\$ 238,930

Schedule 3: Cost of Goods Sold

A more conservative 40% gross profit margin on kit sales was used for analysis.

Schedule 4: Operating Expenses

The criteria used in this spreadsheet is explained in detail throughout this business plan, but it should also be noted that it includes a \$75,000 salary for the owner. Lease rates are \$25/sq foot annually as confirmed by ICR Leasing offices.

Marketing costs are explained in detail in the Marketing Budget.

Schedule 5: Capital Budget

The detailed capital budget provides the mathematics used to derive average kit selling price, plus initial capital costs.

Schedule 6 - 9: Debt and Taxes

Standard corporate tax rates are considered in these schedules, and no debt load is assumed due to equity investment.

Schedule 10: Investment Analysis

This baseline data suggests \$324K in revenues for a gross profit of \$226K on only \$175K expenses. Including a healthy salary for the owner, we are expecting a \$45K net profit in the first year – growing to well over \$100K/year by the fourth year.

This represents a IRR of 125.6%, which is non-leveraged due to owner equity and zero bank debt.

The ERR is 44% with \$475K of cash in the bank! The model is again conservative in not expecting any dividends – since it is owner operated that isn't strictly necessary. However, even a modest dividend of \$25,000 annually bumps the ERR to an outstanding 65.4% with almost \$350K in cash remaining.

Cash Conversion Cycle

Average Days Inventory: 33 (200 kits in stock, ~6/day sold = 33 days inventory turn)

Average Days Receivables: 0 (Legally mandated to collect upon sale)

Average Days Payables: 15 (Supplier terms)

CCC = Inventory + Collection – Payable

CCC = 33 + 0 – 15

CCC = 17

Ratio Analysis

Very positive ratio analysis shows that the company is very liquid, with a current ratio after one year of operation at an astounding 8.33! The quick ratio is similarly positive, very high at 4.93.

Additionally, the debt ratio is very low, whereas both net and gross profit ratios are positive.

Conclusion

The opportunity exists to be an early entrant into the in-store kit preparation business, supplemented by an established retail store operation. For a marginal fee, customers gain all of the benefits of home-brewing – a sense of accomplishment, dramatically lower cost, and some fun – without any of the negative influences often experienced when attempting a kit at home.

The U-Brew store location is ideally situated for long term success, especially as an early entrant to the market.

The owner/operator is a young businessman with many successful years of experience. He has a personal experience in the home-winemaking field, and brings enthusiasm to ensure this endeavor will succeed.

There is tremendous flexibility in the final pricing mix of kit/brewing, up to 40% difference will still allow for marginal success. However, the key variable is whether 6 kit/brewing customer per day is a reasonable expectation. It is anticipated that any major variance to number of customers per day can be improved through more aggressive advertising efforts and pricing adjustments.

The return on investment is sufficient to encourage the entrepreneur to proceed.

Appendix

Saskatchewan Government : U-Brew/U-VIN Services Factsheet

Appendix A : Income Statement

Appendix B : Balance Sheet

Appendix C : Statement of Cash Flow

Schedule 1 : Economic Variables

Schedule 2 : Revenues

Schedule 3 : Cost of Goods Sold

Schedule 4A : Operating Expenses

Schedule 4B : Detailed Marketing Expenses

Schedule 5 : Capital Budget

Schedule 5B : Detailed Inventory Budget

Schedule 6 : Financing Budget

Schedule 7 : Debt Ammortization

Schedule 8 : Capital Cost Allowance

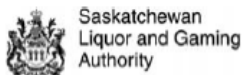
Schedule 9 : Income Taxes

Schedule 10A : Investment Analysis

Schedule 10B : Further Investment Analysis

Schedule 11 : Ratio Analysis

Factsheet



U-Brew/U-Vin Services

Saskatchewan businesses can obtain a permit to offer U-Brew and U-Vin services in Saskatchewan. These permitted businesses can offer supplies, space, equipment and expertise for customers who want to make wine and beer for personal consumption.

What is U-Brew/U-Vin?

A U-Brew/U-Vin business is a liquor-permitted business that sells ingredients and services for customers to make wine, beer, coolers and cider for private consumption. U-Brew/U-Vins provide space at the store and expertise to allow you to brew your wine and beer right at the store.

Who can open a U-Brew/U-Vin?

Businesses that want to offer U-Brew/U-Vin services must obtain a liquor permit and follow federal, provincial and municipal regulations and legislation pertaining to such a business. U-Brew/U-Vin outlets most commonly operate in conjunction with businesses that sell wine and beer kits.

What types of alcohol can be made at a U-Brew/U-Vin store?

Businesses can offer the service for wine, beer, cider or wine cooler products.

How much do customers have to pay for the service?

It is up to businesses to set their own fees.

Are there any special rules for customers who use a U-Brew/U-Vin service?

Customers must make at least two visits to the business. On the first visit, they must pay for all the ingredients and start the fermentation process. The customers must also sign a declaration that the wine, beer, coolers or cider produced is for personal use to be consumed in a private place. During the second visit, customers must prepare the bottles, bottle the product and remove the product from the store.

Is sampling of the products allowed?

Yes, but there are limits. The maximum sample allowed is two samples of 100 millilitres (ml) each (approximately 3.5 ounces) for a total of 200ml per batch.

Are special facilities required for the U-Brew/U-Vin service?

Stores must have a separate area where the product is manufactured and it must be separated from the retail area.

(Continued on reverse)

Are minors allowed at U-Brew/U-Vin businesses?

Yes, but anyone under the age of 19 years is not allowed where alcohol is being manufactured unless accompanied by their parent or legal guardian.

Can minors be involved in the preparation or bottling of products?

Minors cannot manufacture beverage alcohol and they cannot help parents or guardians mix ingredients or bottle the finished product.

Can minors work at U-Brew/U-Vin stores?

Minors can be employed at the stores but cannot be involved in the production of beverage alcohol.

Can customers help other customers bottle their product?

A customer can get friends and family (not including minors) to accompany them and help in the manufacturing and bottling process.

Can customers exchange product or bottled products with other U-Brew/U-Vin customers?

Under the terms of their liquor permit, U-Brew/U-Vin businesses cannot allow customers to exchange product with other customers.

Can store staff do the bottling of finished product?

No, except in exceptional circumstances where the customer is physically unable to complete the task. However, the customer must be present when the help is provided.

What happens if the product made at a U-Brew/U-Vin is unsatisfactory?

It will be up to U-Brew/U-Vin owners to decide whether to accept returns of unsatisfactory product. If returns are accepted, the returned product must be destroyed and cannot be replaced with new finished product that the customer did not produce.

What happens to unclaimed products? Can it be bottled and sold to other customers?

Unclaimed product must be destroyed after the store makes a reasonable number of attempts to contact the customer. It cannot be bottled and sold to other customers.

Can finished product be stored at the U-Brew/U-Vin business?

A customer is not allowed to store finished product at the store. Once bottling has been completed, the product must be removed from the premises.

Can products made at a liquor permitted U-Brew/U-Vin businesses be served and/or sold at functions likes weddings, cabarets, etc.?

No. Alcohol made at home or at a U-Brew/U-Vin facility cannot be served and/or sold at events for which a special occasion permit has been issued.