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New World Deli

1.0 Executive Summary

New World Delicatessen (NWD) is an eating establishment focusing on healthy, nutritious, and fast food to the local downtown area.

The New World Deli will be an upscale deli specializing in a combination of fast hot or cold sandwiches and salads plus specific recipes focusing on the Pacific Northwest cuisine.

Based on this distinct menu, New World Deli will follow a differentiation strategy that will provide unique, or hard to find choices to deli patrons.

The keys to success for NWD will be repeat business, an excellent location convenient to downtown businesses and its unique Northwest Pacific cuisine.

The company will be a sole proprietorship owned by Ms. Jane Ericson. Ms. Ericson will be providing \$20,000 capital investment and there will be an additional \$30,000 raised in short-term loan.

Entering into this market will not be easy, the industry is highly competitive, with periodic overcapacity, low margins, and low entry/exit barriers. In addition, there is a large number of substitutes, and the suppliers to this market have a great deal of power.

In order to overcome these issues, the company has acquired an excellent locality in the downtown area and intends to provide a suitably upscale environment to draw in the company's main target market segment, the business professionals. The company will seek to provide these customers with the maximum number of services to create the greatest sales volume during the company's peak hours of operation.

The company will have a comprehensive marketing, advertising, and promotion campaign that will maximize word-of-mouth marketing and will consist of radio, printed material, billboards and discounts.

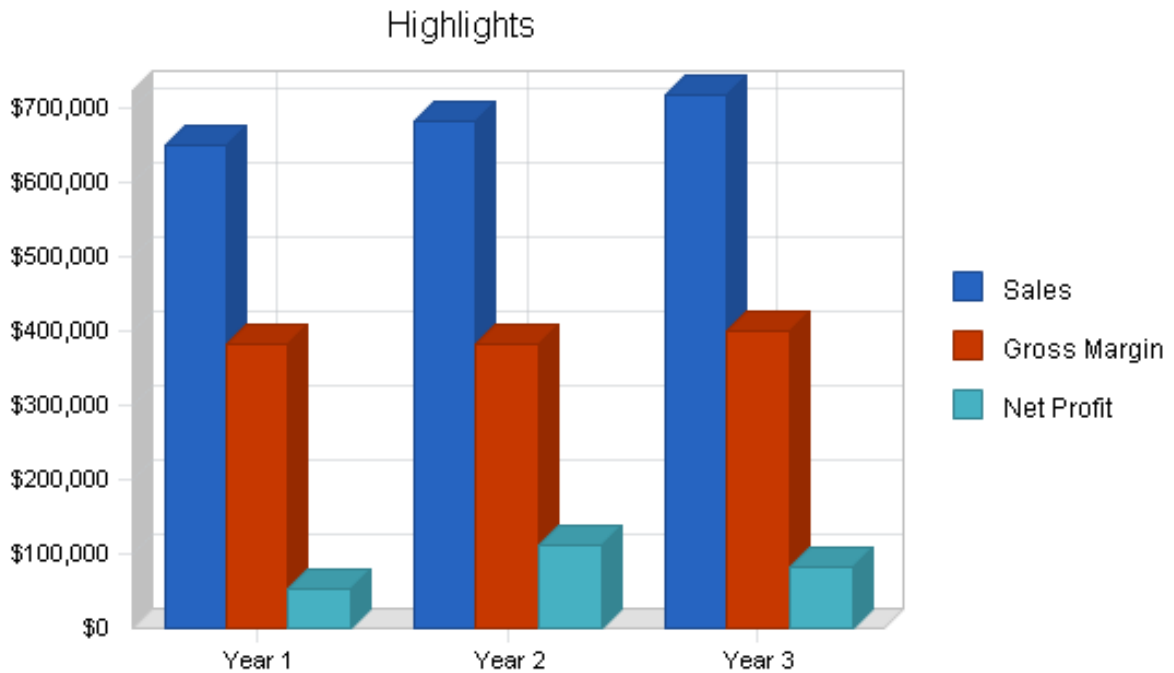
The company has planned to offer its products at a slightly higher price than that of its competitors. This is to provide credibility to its clients as an upscale establishment that provides a unique menu. This will also provide the funds to cover the higher than expected operating costs due to the differentiated and expanded menu.

It is estimated that the company will have sales over \$700,000 by year three, and maintain a healthy cash flow.

1.1 Keys to Success

- Repeat business. Every customer who comes in once should want to return, and recommend us. Word-of-mouth marketing is a powerful ally.
- Location. Convenience is essential to us, we need to be close to our market because we are not trying to get people to travel to reach us.
- The right food, variety with a Pacific Rim theme, with a price high enough to establish credibility, but not so high as to limit customers.

New World Deli



1.2 Mission

The New World Delicatessen will be an upscale deli specializing in a combination of fast hot or cold sandwiches and salads plus specific recipes focusing on the Pacific Northwest cuisine.

Based on this distinct menu, New World Deli will follow a differentiation strategy that will provide unique or hard to find choices to deli patrons. This will provide Ms. Ericson with the ability to charge slightly more for its food services than most competitors and return a significant profit.

1.3 Objectives

New World Deli seeks to achieve the following goals:

- Cash flow self sufficiency by the end of the first year.
- Repay debt from original financing by the end of the second year.
- Provide an income for founder-owner with income growth possibilities.
- Sales over \$600K in the first year.
- Sales of more than \$700K by the third year.

2.0 Company Summary

New World Deli is the realization of the founder's dream of having her own business.

New World Deli

2.1 Start-up Summary

Start-up costs and initial financing are shown on the following table. Jane Ericson will be investing \$20,000 of savings and guaranteeing a loan for another \$30,000 with personal assets. In addition, the business will receive an interest-free loan from a family member of \$10,000, to be repaid within the first year.

Table: Start-up

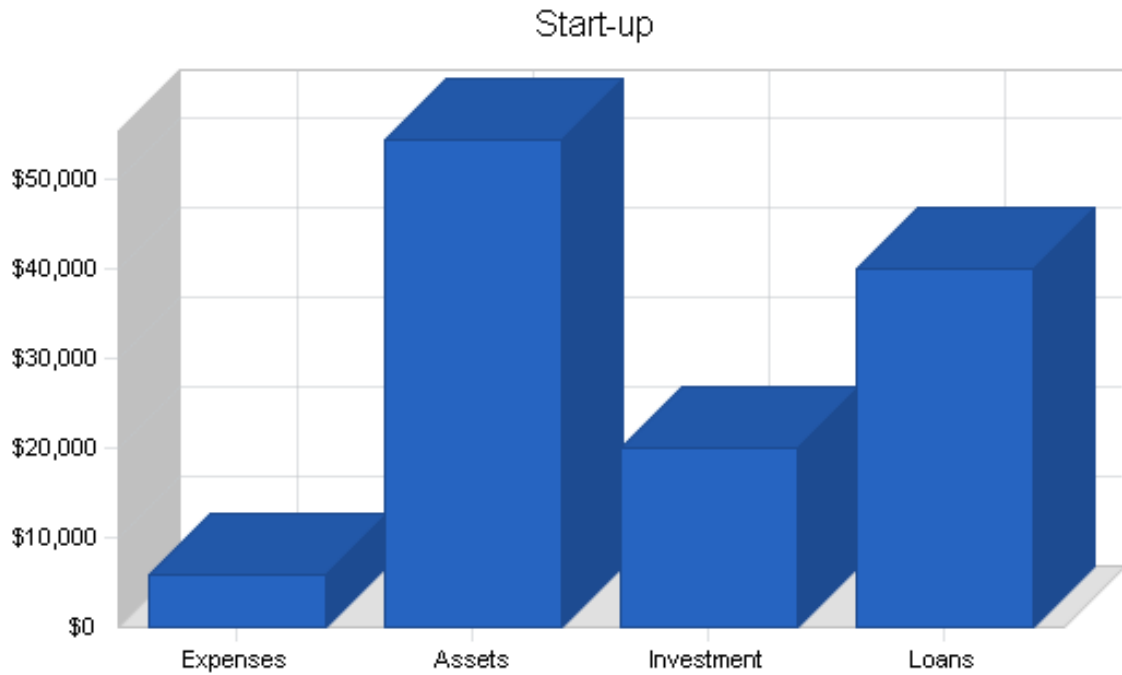
Start-up	
Requirements	
Start-up Expenses	
Legal	\$500
Stationery etc.	\$300
Rent	\$1,000
Expensed Equipment	\$3,000
Other	\$1,000
Total Start-up Expenses	\$5,800
Start-up Assets	
Cash Required	\$28,200
Start-up Inventory	\$0
Other Current Assets	\$2,000
Long-term Assets	\$24,000
Total Assets	\$54,200
Total Requirements	\$60,000

New World Deli

Table: Start-up Funding

<hr/>	
Start-up Funding	
Start-up Expenses to Fund	\$5,800
Start-up Assets to Fund	\$54,200
<hr/>	
Total Funding Required	\$60,000
Assets	
<hr/>	
Non-cash Assets from Start-up	\$26,000
Cash Requirements from Start-up	\$28,200
Additional Cash Raised	\$0
Cash Balance on Starting Date	\$28,200
<hr/>	
Total Assets	\$54,200
Liabilities and Capital	
<hr/>	
Liabilities	
Current Borrowing	\$30,000
Long-term Liabilities	\$0
Accounts Payable (Outstanding Bills)	\$0
Other Current Liabilities (interest-free)	\$10,000
<hr/>	
Total Liabilities	\$40,000
Capital	
Planned Investment	
Owner/founder	\$20,000
Other	\$0
Additional Investment Requirement	\$0
<hr/>	
Total Planned Investment	\$20,000
Loss at Start-up (Start-up Expenses)	(\$5,800)
<hr/>	
Total Capital	\$14,200
<hr/>	
Total Capital and Liabilities	\$54,200
<hr/>	
Total Funding	\$60,000
<hr/>	

New World Deli



2.2 Company Locations and Facilities

New World Deli will be located in Eugene, Oregon on the corner of 7th and Main. The facilities will include a 25 person capacity eating area, counter/front area, and backroom area where refrigerators, commercial stoves and ovens are located.

2.3 Company Ownership

At its initial stages, New World Deli is a sole proprietorship owned by Jane Ericson, founder and president. It will be registered as a fictitious business name. We will move up to incorporate as recommended by our attorney later, based on growth of the business and conditions as they arise.

3.0 Products and Services

The New World Deli offers a breakfast and lunch menu, fresh cold cuts, drinks, and take-out prepared dishes.

Breakfast will include such items as omelettes, cereal, eggs, toast, yogurt, plus coffee and tea.

The lunch menu will consist of various cold cut sandwiches (turkey, ham, roast beef, etc.) plus prepared salads including:

- Caesar Salad.
- Greek Salad.

New World Deli

- Watercress and Sesame Salad.
- Homemade Potato Salad.
- Italian Eggplant Salad.
- Maury Island Cranberry Arctic Salad.

In addition, Ms. Ericson will be offering her own salmon dressing to compliment these offerings. Finally, New World Deli will offer its unique Pacific Northwest style cuisine. This includes Ms. Ericson's own creations such as:

- Coos Bay Hot Crab Sandwiches.
- Columbia Salmon Rolls.
- Anacortes Seafood Burgers.
- Smoked Salmon Sourdough Bread.
- Washington Bruschetta Steak Sandwiches.
- Hood River Fresh Apple Cake.
- Widbey Loganberry Tarts.

In addition, Ms. Ericson is negotiating with a local coffee and espresso provider to form a strategic alliance that will allow New World Deli patrons to enjoy those products.

3.1 Product and Service Description

Much of the New World Deli's food description is mentioned elsewhere, however, the starting menu to be offered is as follows:

Breakfast:

1. Eggs, made to order.
2. Toast: rye, wheat or white.
3. Bacon.
4. Ham.
5. Yogurt.
6. Fruit.
7. Hash Browns.
8. Coffee and Orange Juice.

Lunch:

Entrees

1. Turkey Sub.
2. Ham and Cheese Sub.
3. Roast Chicken Club.
4. Veggie Sandwich.
5. Tuna Sub.
6. Coos Bay Hot Crab Sandwiches.
7. Columbia Salmon Rolls.
8. Anacortes Seafood Burgers.
9. Smoked Salmon Sourdough Bread.
10. Washington Bruschetta Steak Sandwiches.
11. Hood River Fresh Apple Cake.
12. Widbey Loganberry Tarts.

New World Deli

13. Chips.
14. Homemade Organic Willamette Chili.
15. Organic Vegetable and Chicken Soup.

Salads

1. Caesar Salad.
2. Greek Salad.
3. Watercress and Sesame Salad.
4. Homemade Potato Salad.
5. Italian Eggplant Salad.
6. Maury Island Cranberry Arctic Salad.

Drinks

1. Ocean Spray products.
2. Soft drinks (Pepsi products).
3. Coffee.
4. Tea.
5. Chai.

Take-home dinners consist of the lunch entrees packaged for the customers. Any of the breakfast or lunch entrees can be premade, or prepared in two to three minutes to insure rapid service and high customer satisfaction.

3.2 Competitive Comparison

The competition facing New World Deli is vast. This includes every eating establishment in the Eugene/Springfield area. Major competitors include Taco Time, Taco Bell, McDonalds, Burger King, Burrito Boy, La Salsa Taqueria, Subway Sandwiches, Cousins, Subs and many other "mom and pop" style organizations too numerous to list. Furthermore, there is a large number of substitute suppliers from grocery stores that offer prepackaged meals to upscale sit down restaurants such as Ambrosia's. Drawing any sort of general conclusions from such a vast array of competitors is difficult, but you can say that just about every conceivable product or service idea, and just about every taste is encompassed within this group.

Many of the smaller firms, due to lack of funds are only able to carry out the most basic of marketing strategies. NWD intends to leverage its locational advantage to create higher profits that will in turn fuel marketing efforts. However, the larger firms have comprehensive national marketing strategies that draw in hundreds of customers per week. NWD's answer to this is to promote its local flavor and cuisine and draw in those individuals who see fast food as unhealthy and of low quality. Therefore the owner of NWD believes that there is significant opportunity to gain local market share.

3.3 Sales Literature

Our main sales literature will consist of flyers sent though the mail, and promotional advertisements offered to local businesses. Relevant information such as a comprehensive menu, costs, description of some of NWD's more distinct items, and address and delivery number will be included.

New World Deli

3.4 Future Products and Services

Ms. Ericson is planning on introducing new menu items as time and profitability permit. Furthermore as a recognized local authority on Northwest cooking Ms. Ericson plans to offer her soon to be published cookbook on the Deli's premises.

4.0 Market Analysis Summary

We have three main markets:

- People who work in the downtown area during the day, who will be looking for walk-in good food and convenience for late breakfast and lunch.
- Surrounding businesses looking for phone-in lunch for business meetings.
- Workers with families looking for take-out food to take home for family dinner at the end of the workday.

Each of these market segments consists of people who either work in the downtown area or flow through this area during the normal work week. As such, there will be a undetermined percentage of each market that will be seeking an eating establishment that will meet the requirements of healthy food, fast service, and pleasant atmosphere. Furthermore, New World Deli will cater to the growing trend of middle-class professionals who seek a differing cuisine than that of the established food chains.

New World Deli

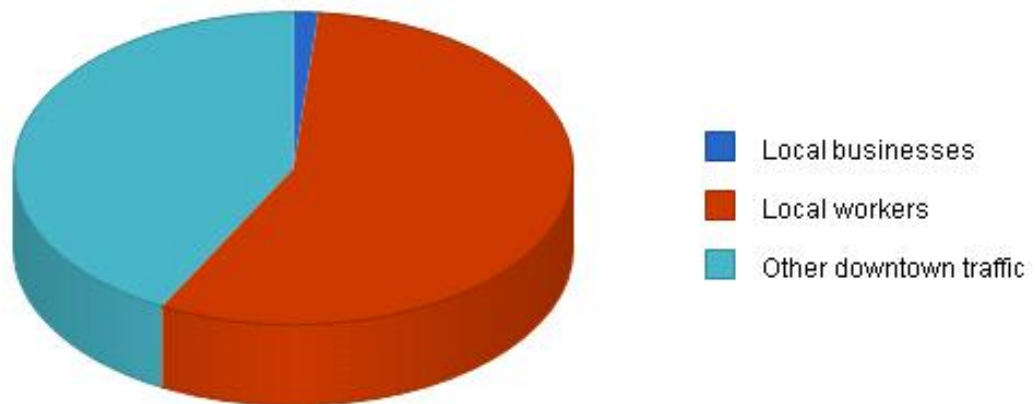
4.1 Market Segmentation

The total potential market in units is shown in the following table and chart, by type of market point.

Table: Market Analysis

Market Analysis		Year 1	Year 2	Year 3	Year 4	Year 5	CAGR
Potential Customers	Growth						
Local businesses	0%	500	500	500	500	500	0.00%
Local workers	2%	20,000	20,400	20,808	21,224	21,648	2.00%
Other downtown traffic	1%	15,000	15,150	15,302	15,455	15,610	1.00%
Total	1.55%	35,500	36,050	36,610	37,179	37,758	1.55%

Market Analysis (Pie)



4.2 Target Market Segment Strategy

For the business market we need to focus on specific companies with specific opportunities. For individuals we need to lever off word-of-mouth recommendations, probably depending on business customers.

The business market has the potential of providing large volume sales to the company during the peak hours of 11 a.m. to 2 p.m., both through small groups of business people visiting NWD and delivery orders. Satisfaction of this group will provide a vital long-term revenue stream. For the business market, the company plans to do specific target marketing through flyers, business discounts, billboards, and creating a record of fast delivery.

New World Deli

For the individual groups seeking breakfast or lunch downtown, or take-home meals, it is necessary for the company to build an effective word-of-mouth marketing strategy. The company will do this slowly, realizing that much of this will grow from its business market. The company is also planning on doing a number of joint marketing efforts with other local companies such as the production and distribution of a referral book to be given to various individuals. This in turn would help to drive our word-of-mouth marketing efforts.

4.2.1 Market Trends

One of the most important recent trends in eating is the rise of interest in consuming healthier foods. The best known example of this is the move toward organic foodstuffs. NWD realizes that there is a significant percentage of the population in Western Oregon that is demanding more and more naturally grown, organic meats and vegetables and the company is well positioned to take advantage of this change. Ms. Ericson has already concluded preliminary deals with organic growers and suppliers that will allow the company to take advantage of this new market need.

4.2.2 Market Needs

As stated before, customers desire fast, healthy food that will appeal to their aesthetic tastes and is provided in a comfortable atmosphere. In addition, they desire a memorable dining experience that provides them with the chance to relax in the middle of the day. All of this needs to be delivered to the customer with the least amount of hassle. Furthermore, customers will also need a facility that can provide them with delicious, convenient take-home meals when there is no opportunity to cook at home.

4.2.3 Market Growth

We have no indication of market growth in this pulverized and diffuse market. No statistics are available for the local food industry in Eugene. What we do know is that there is growth potential, and plenty of potential market for the right combination of service, quality and choice.

4.3 Service Business Analysis

The restaurant industry is highly fragmented and competitive. Each company within this field has low capital costs and low margins, which create this high intensity of competition.

Suppliers have a great deal of power in setting and negotiating the prices of their products and services to the smaller eating establishments. This is due to the fact that the suppliers who absorb the greatest amounts of cash from "mom and Pop" outfits are large food distribution companies such as General Foods. These companies are more consolidated than the restaurant industry, have deeper pockets, an almost limitless number of substitute customers, and finally they are the single most important supplier to New World Deli's industry. Therefore, these companies can set whatever price they wish to. Furthermore, labor is a supplier in this industry

New World Deli

as well, and salaries for such individuals are well known and not very flexible.

There also exists a very high degree of rivalry among firms due to the perceived overcapacity in this field. The larger companies often have cost advantages due to economies of scale that allow them to outcompete smaller rivals.

The barriers to entry and exit are very low in this industry. Switching costs are virtually non-existent and the costs to entry and exist the market are low. The large number of competitors in this field including substitutes such as McDonald's, Subway Sandwiches, and Coco's mean that the pricing for such services are very competitive. The only way to have an advantage in this industry is either a low cost leadership principal applied aggressively to all aspects of the business or to differentiate the entire eating experience through better and more unique food and to build up customer relations to a point where the switching costs are raised.

4.3.1 Competition and Buying Patterns

- Location is critical to success. Proximity to workers is very important, so is convenient parking for the end-of-workday traffic stopping to pick up takeout dishes.
- Price is not very sensitive as long as we are not too high. Low price or lowest price is not essential. Many target customers mistrust low price in a deli.
- Quality of food matters. If the price isn't too high and the food is good, we'll have growth through repeat business.
- Focus is an advantage; focusing on Pacific Rim food will draw customers from the competition.

4.3.2 Main Competitors

In the immediate, downtown area, there are five main competitors. This includes Subway Sandwiches, Cleo's Sandwich shop, McDonalds, Taco Del Mar, and Famous American Deli.

The established chains, Subway and McDonalds have much more of a national focus and the individual managers have little or no ability to adapt to local desires. In addition, these outlets are franchised to individual owners. This method of franchising often leads to friction between the corporate office and the local owners that inhibits efficiency, cleanliness and other aspects. However, these chains also have the ability to cut prices at will, and have established and secure relations with their suppliers.

The more local stores such as Cleo's sandwich shop and Taco Del Mar are much more locally oriented. However neither company has particularly deep pockets that provide for growth.

4.3.3 Business Participants

The restaurant industry is "pulverized" in other words, it consists of an almost infinite number

New World Deli

of companies from the small "mom and pop" style to the national chains.

5.0 Strategy and Implementation Summary

The main thrust of strategy is to lever our ideal location and specialized cuisine into higher profits through sales volume and higher prices. We understand the underlying needs and give the customer what they really need.

5.1 Marketing Strategy

Most of our marketing efforts have already been mentioned. Our marketing strategy focuses mainly on making our existence known to the people working close to our location. It also depends on making our Northwest Pacific theme known to those same people.

We can focus on local marketing: our signage, a grand opening party, and flyers to local offices.

5.1.1 Promotion Strategy

The company plans to use local radio as one of the means for promotion. Ms. Ericson is currently making arrangements to have a grand opening party that will include having a local radio station participate and air it over the radio. In addition the company is planning to use flyers to local businesses, direct mailers, billboards, etc. Billboards and radio will be used for the first six months to establish customer awareness and product attractiveness. Mailers and flyers will then be used to advertise sales promotions that will help bring in customers. One fortunate aspect of the restaurant business is that once a potential customer steps into the establishment, the chances of purchase are very high. So the promotional plan will be to draw people in to the deli and then seek to provide them with a superior eating experience.

5.1.2 Positioning Statement

New World Deli's most important market segment, given its location will be the business segment. Customers in this segment have a limited amount of time for lunch or require a quick pick-up dinner with no hassles. Furthermore, these customers need to be able to purchase their food with a wide variety of different monetary tools. This includes credit and debit cards, cash and checks. Finally, many of the local business people will wish to accommodate the desires of out-of-town colleagues who desire to sample some of the local cuisine. New World Deli will satisfy these demands better than much of the local competition through delivery to nearby offices, accepting most forms of payment, a rigorous plan to maximize speed of delivery, and of course our unique menu.

5.1.3 Pricing Strategy

Our pricing strategy will focus on providing high quality, healthy food that is quick and has a unique flair. Because of this, we expect to be able to charge somewhat more for our products

New World Deli

than other stores, as long as the customers agree that the food is better than average.

5.2 Milestones

The following table lists important program milestones, with dates and managers in charge, and budgets for each. The milestone schedule indicates our emphasis on planning for implementation.

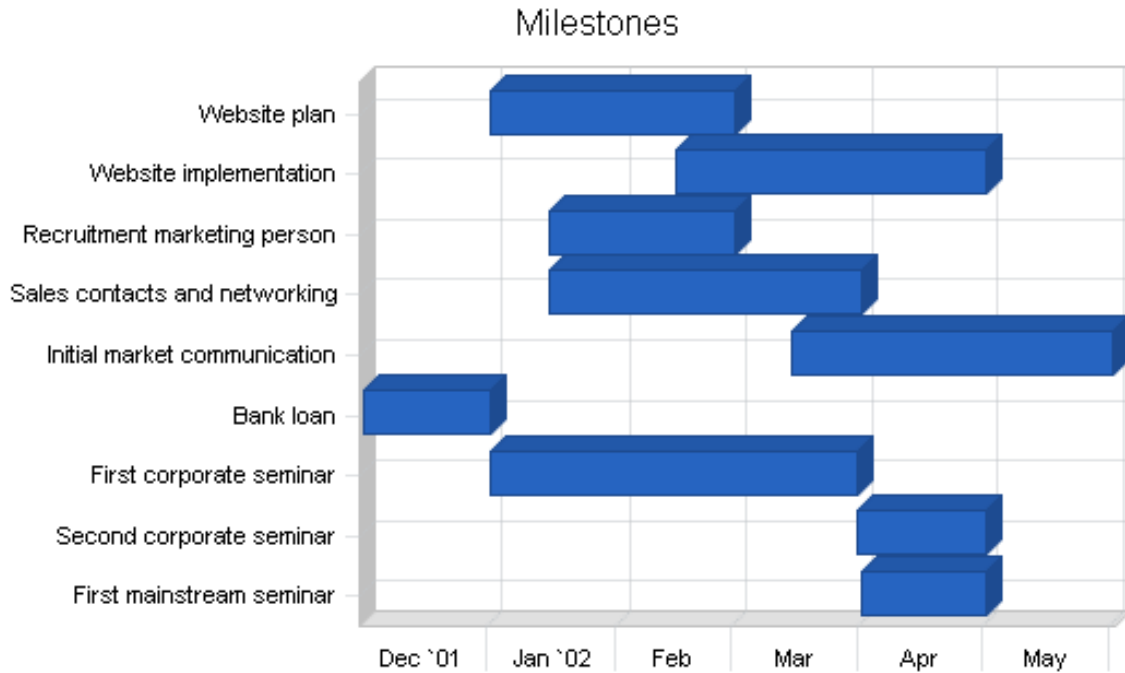


Table: Milestones

Milestones					
Milestone	Start Date	End Date	Budget	Manager	Department
Website plan	1/1/2002	3/1/2002	\$1,000	Designato	Website
Website implementation	2/15/2002	5/1/2002	\$9,000	Designato	Website
Recruitment marketing person	1/15/2002	3/1/2002	\$2,000	Founder	Management
Sales contacts and networking	1/15/2002	4/1/2002	\$2,000	Founder	Management
Initial market communication	3/15/2002	6/1/2002	\$5,000	Marketing	Marketing
Bank loan	12/1/2001	1/1/2002	\$0	Founder	Management
First corporate seminar	1/1/2002	3/31/2002	\$2,000	Founder	Management
Second corporate seminar	3/31/2002	5/1/2002	\$2,000	Marketing	Marketing
First mainstream seminar	4/1/2002	5/1/2002	\$2,000	Marketing	Marketing
Totals			\$25,000		

5.3 Sales Strategy

We need to offer fast service at peak times. The key is a good crowd balance, so that we never look empty but we are never so full that we turn people away. Lines have to move fast.

New World Deli

We need a good selection of convenient foods.

Our most important sales strategy is develop repeat business. Every customer who comes in has to want to return. To that end, we will offer some of the more established sales strategies such as discount cards, special menu days, and a regularly changing menu. NWD intends to keep accurate track of what types of sandwiches and other foods sell well and to create a program of customer feedback through surveys. With this information we will be able to streamline our food line to match the local tastes and encourage more people to eat at New World Deli.

Finally we will design a home/business delivery system that will allow for the dropping off of food within 1/2 hour after the order is made to insure the best possible eating experience and customer churn rate.

5.3.1 Sales Forecast

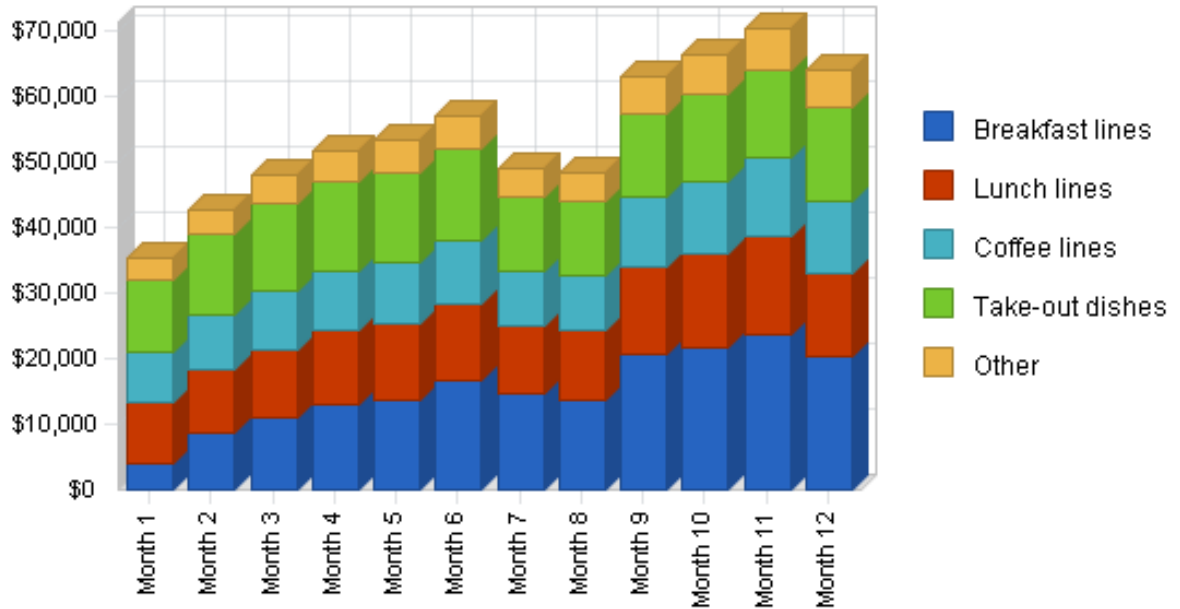
The following table and charts illustrate the sales forecast. We're sure this is a manageable forecast.

Table: Sales Forecast

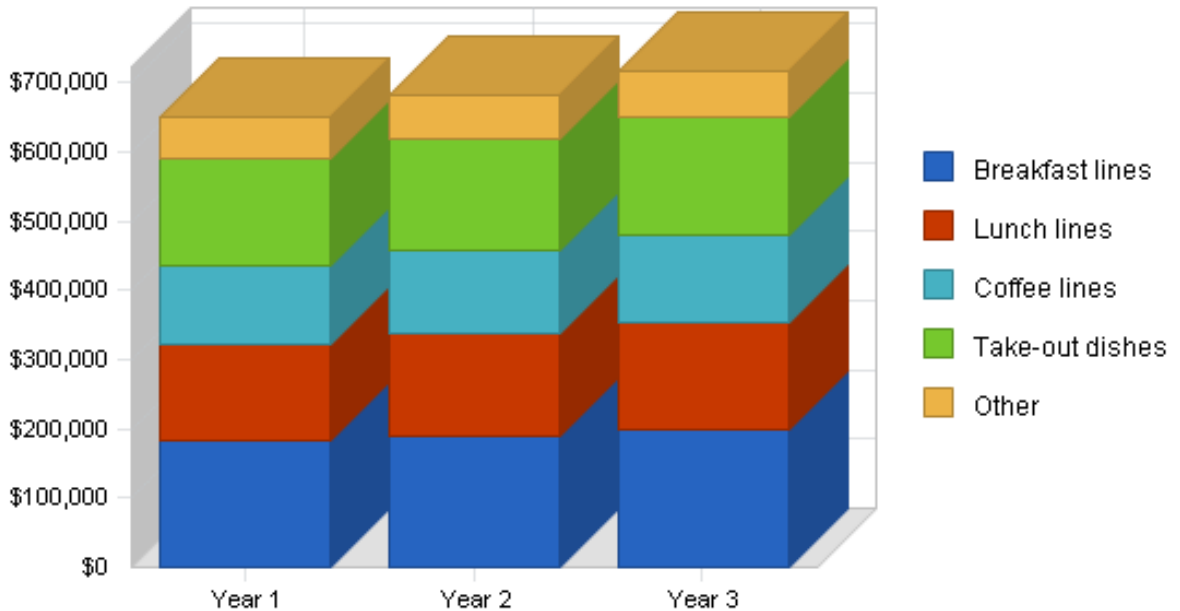
Sales Forecast			
	Year 1	Year 2	Year 3
Sales			
Breakfast lines	\$181,585	\$190,664	\$200,197
Lunch lines	\$140,605	\$147,635	\$155,017
Coffee lines	\$113,876	\$119,570	\$125,548
Take-out dishes	\$154,135	\$161,842	\$169,934
Other	\$59,020	\$61,971	\$65,070
Total Sales	\$649,221	\$681,682	\$715,766
Direct Cost of Sales			
Breakfast lines	\$63,555	\$72,452	\$76,075
Lunch lines	\$49,212	\$56,101	\$58,906
Coffee lines	\$39,857	\$45,437	\$47,708
Take-out dishes	\$53,947	\$61,500	\$64,575
Other	\$23,608	\$23,549	\$24,726
Subtotal Direct Cost of Sales	\$230,178	\$259,039	\$271,991

New World Deli

Sales Monthly



Sales by Year



5.4 Strategic Alliances

The company is currently seeking strategic alliances in two sectors, first, to work with other suppliers that will allow us to expand the company's menu line into coffee products and desserts. The second type of alliance the company is seeking is with local businesses that could be used to promote customer awareness and preference. A deal with a local radio station where a free

New World Deli

lunch for an entire office could be won in a contest is being looked into.

5.5 Competitive Edge

Our most important competitive edge is the location closer to our potential customers than any other. In addition, we have our Pacific Rim theme that will attract customers looking for local cuisines.

6.0 Management Summary

This is a small company with our employee categories including counter clerks, kitchen help, and busboys. We assume nine employees total, the owner-founder plus four counter clerks, two in the kitchen, and two busboys.

The owner-founder will be in attendance during normal business hours, 7 a.m. to 6 p.m. five days per week. In addition, specific other employees will have supervisory roles for times when owner-founder is not able to be present.

6.1 Management Team

The management will consist of Ms. Jane Ericson. Ms Ericson has been involved in the cooking profession all her life and has acquired a local reputation for creating inventive and tasty recipes focusing on Northwest cuisine. For the past seven years she has run a cooking class business out of her home and will have her first cookbook published next year. Desiring to have an independent business that would provide more income, Ms. Ericson attended Columbia River Community College where she obtained a BS in business in preparation for starting her own deli.

6.2 Management Team Gaps

Currently the business lacks a dedicated marketing manager and an accountant. For the present, these services will be outsourced.

6.3 Personnel Plan

The personnel plan shows in detail in the following table.

New World Deli

Table: Personnel

Personnel Plan	Year 1	Year 2	Year 3
Owner/founder	\$36,000	\$45,000	\$50,000
Counter Clerks	\$72,000	\$45,000	\$60,000
Kitchen	\$42,000	\$30,000	\$35,000
Busboys	\$36,000	\$15,000	\$25,000
Total People	9	9	9
Total Payroll	\$186,000	\$135,000	\$170,000

New World Deli

7.0 Financial Plan

The financial plan depends on initial investment of \$20,000 from the founder, plus a five-year loan of \$30,000, and another \$10,000, 10-month, interest-free loan from a family member. Much as we'd like to bootstrap this business without initial investment, it just isn't worth it. The rest of the plan is reasonably conservative, but there does have to be money at risk.

The bank loan will be secured with real estate owned by the founder.

7.1 Important Assumptions

Important general assumptions are shown in the following table.

Table: General Assumptions

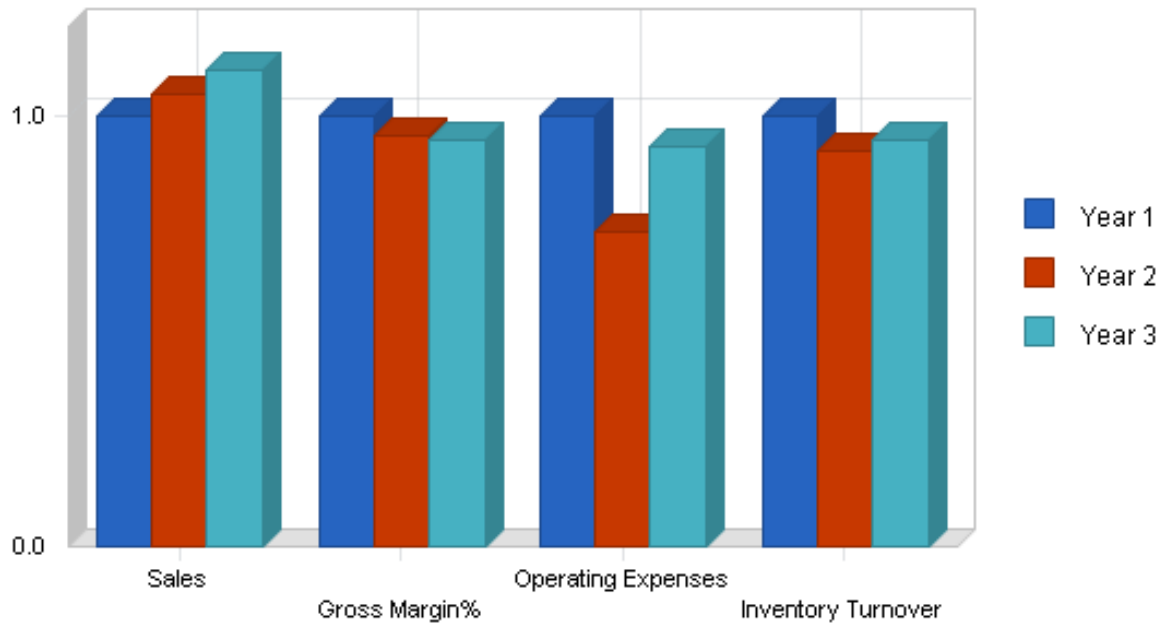
General Assumptions	Year 1	Year 2	Year 3
Plan Month	1	2	3
Current Interest Rate	10.00%	10.00%	10.00%
Long-term Interest Rate	10.00%	10.00%	10.00%
Tax Rate	30.00%	30.00%	30.00%
Other	0	0	0

7.2 Key Financial Indicators

The benchmarks chart shows changes in sales, operating expenses, gross margin, and collection days. We think the chart speaks for itself, and what it says is that the numbers and assumptions are reasonable.

New World Deli

Benchmarks



New World Deli

7.3 Break-even Analysis

This is a preliminary break-even for now.

Table: Break-even Analysis

Break-even Analysis	
Monthly Revenue Break-even	\$39,158
Assumptions:	
Average Percent Variable Cost	35%
Estimated Monthly Fixed Cost	\$25,275

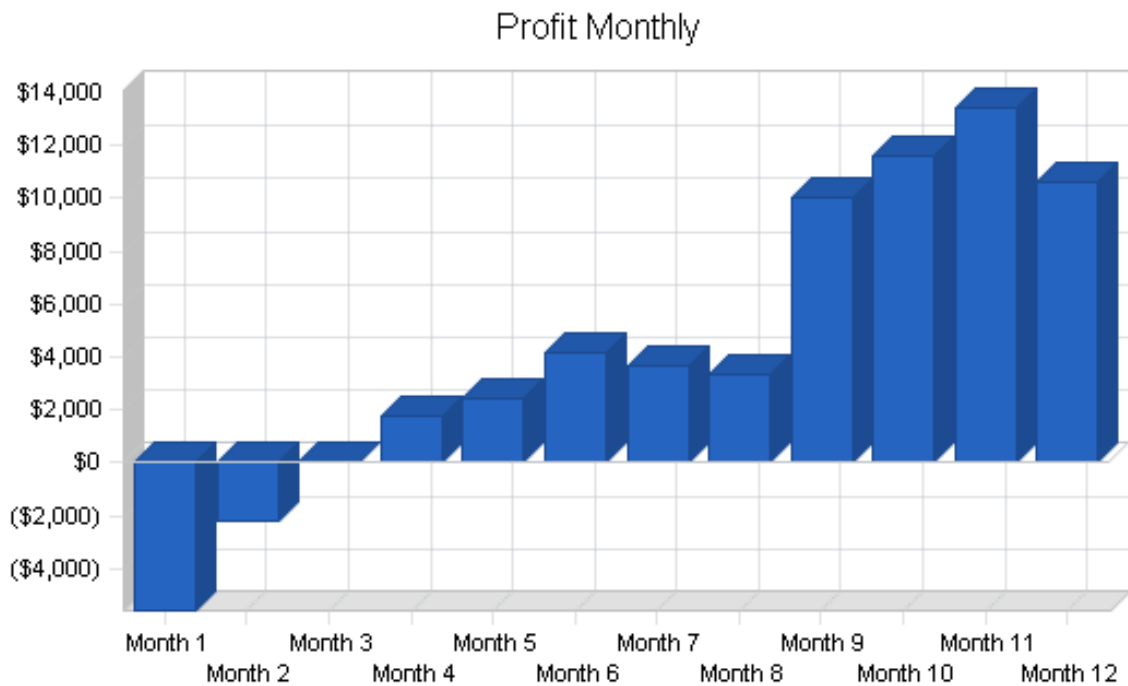


New World Deli

7.4 Projected Profit and Loss

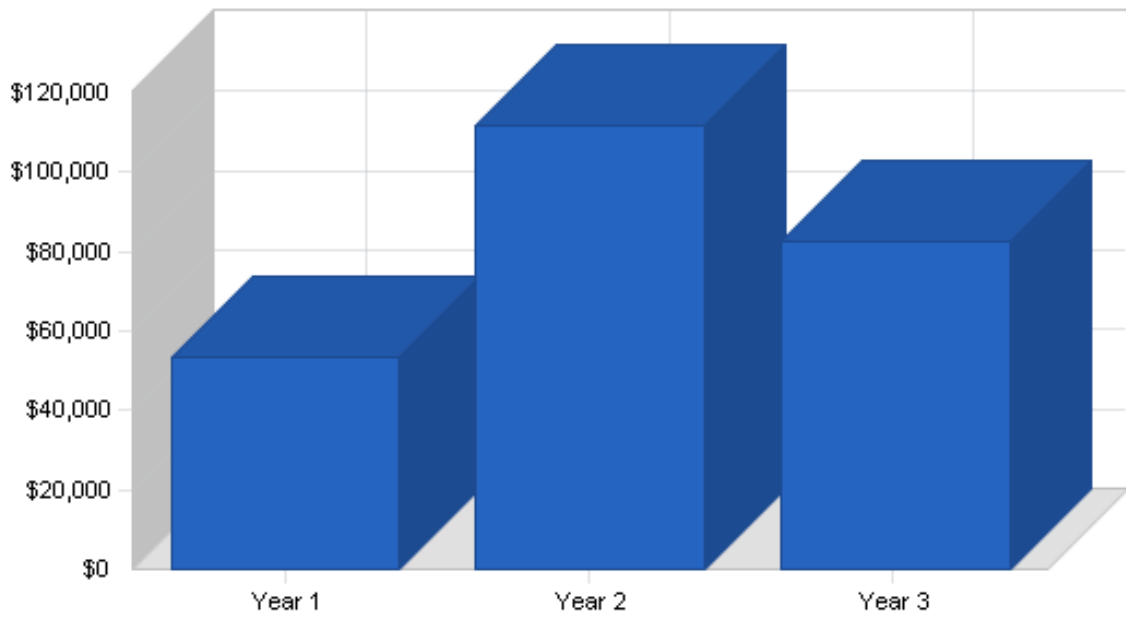
We assume a slightly higher gross margin than industry standards for eating places, because we don't have the full slate of meals or servers. Also, kitchen and busboy employees are not included in cost of sales, for simplicity.

Because we're new to this business, we've adjusted the profitability into normal range by adding a relatively large amount of additional unitemized expenses. That gives us a buffer for the additional unforeseen expenses that we expect will come up. If they don't, then we'll be more profitable than normal for the deli business.

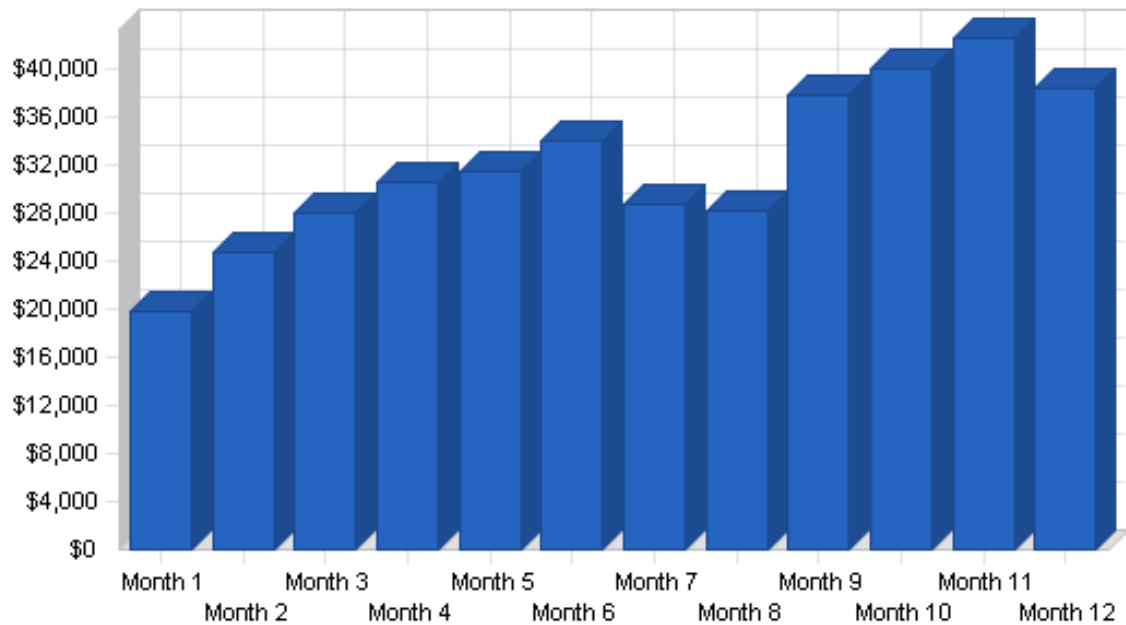


New World Deli

Profit Yearly



Gross Margin Monthly



New World Deli

Gross Margin Yearly

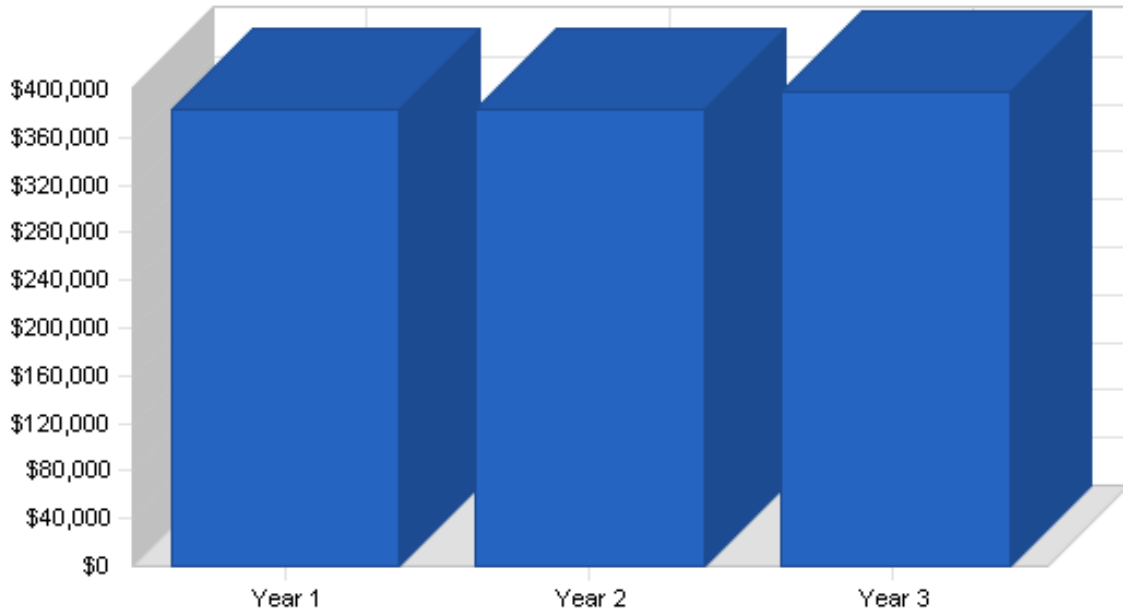


Table: Profit and Loss

Pro Forma Profit and Loss

	Year 1	Year 2	Year 3
Sales	\$649,221	\$681,682	\$715,766
Direct Cost of Sales	\$230,178	\$259,039	\$271,991
Other kitchen expenses	\$36,000	\$40,000	\$45,000
Total Cost of Sales	\$266,178	\$299,039	\$316,991
Gross Margin	\$383,043	\$382,643	\$398,775
Gross Margin %	59.00%	56.13%	55.71%
Expenses			
Payroll	\$186,000	\$135,000	\$170,000
Sales and Marketing and Other Expenses	\$81,000	\$57,500	\$76,000
Depreciation	\$0	\$0	\$0
Utilities	\$2,400	\$2,400	\$2,400
Insurance	\$6,000	\$6,600	\$7,200
Payroll Taxes	\$27,900	\$20,250	\$25,500
Other	\$0	\$0	\$0
Total Operating Expenses	\$303,300	\$221,750	\$281,100
Profit Before Interest and Taxes	\$79,743	\$160,893	\$117,675
EBITDA	\$79,743	\$160,893	\$117,675
Interest Expense	\$3,678	\$1,257	\$0
Taxes Incurred	\$22,819	\$47,891	\$35,303
Net Profit	\$53,245	\$111,745	\$82,373
Net Profit/Sales	8.20%	16.39%	11.51%

New World Deli

7.5 Projected Cash Flow

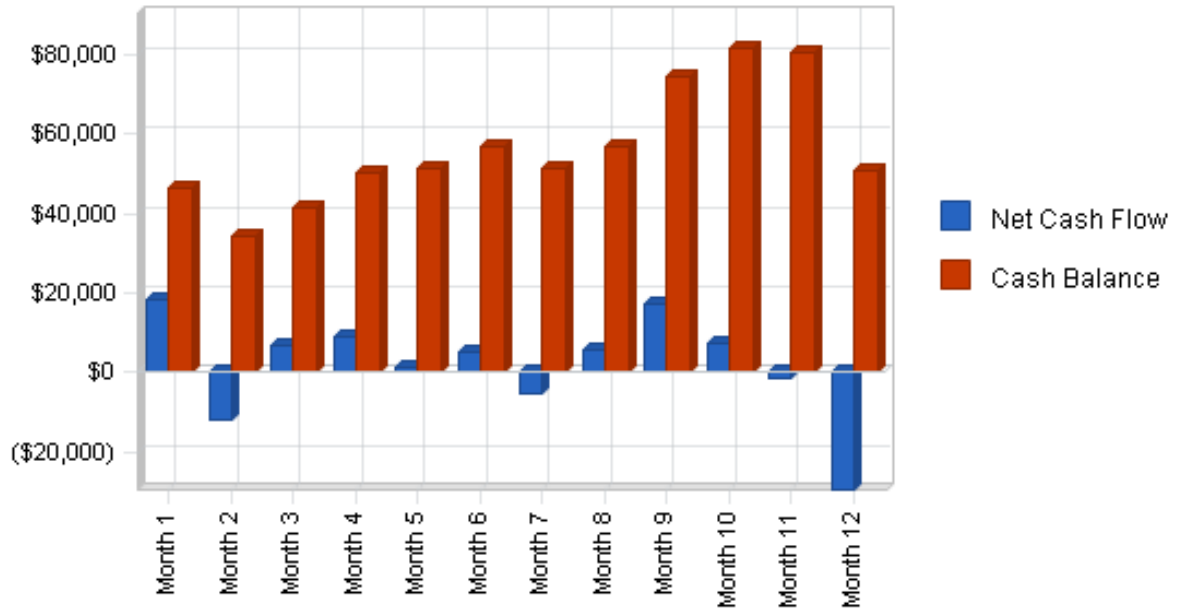
With the financing plan as projected, the business remains cash positive throughout the first three years. During year two and three, it is expected that a significant amount of cash will be used to upgrade facilities and purchase new equipment.

Table: Cash Flow

Pro Forma Cash Flow	Year 1	Year 2	Year 3
Cash Received			
Cash from Operations			
Cash Sales	\$649,221	\$681,682	\$715,766
Subtotal Cash from Operations	\$649,221	\$681,682	\$715,766
Additional Cash Received			
Sales Tax, VAT, HST/GST Received	\$0	\$0	\$0
New Current Borrowing	\$15,000	\$0	\$0
New Other Liabilities (interest-free)	\$0	\$0	\$0
New Long-term Liabilities	\$0	\$0	\$0
Sales of Other Current Assets	\$0	\$0	\$0
Sales of Long-term Assets	\$0	\$0	\$0
New Investment Received	\$0	\$0	\$0
Subtotal Cash Received	\$664,221	\$681,682	\$715,766
Expenditures			
Expenditures from Operations			
Cash Spending	\$186,000	\$135,000	\$170,000
Bill Payments	\$400,625	\$435,119	\$460,699
Subtotal Spent on Operations	\$586,625	\$570,119	\$630,699
Additional Cash Spent			
Sales Tax, VAT, HST/GST Paid Out	\$0	\$0	\$0
Principal Repayment of Current Borrowing	\$19,868	\$25,132	\$0
Other Liabilities Principal Repayment	\$10,000	\$0	\$0
Long-term Liabilities Principal Repayment	\$0	\$0	\$0
Purchase Other Current Assets	\$0	\$40,000	\$0
Purchase Long-term Assets	\$0	\$50,000	\$0
Dividends	\$25,000	\$25,000	\$60,000
Subtotal Cash Spent	\$641,493	\$710,251	\$690,699
Net Cash Flow	\$22,728	(\$28,568)	\$25,067
Cash Balance	\$50,928	\$22,360	\$47,427

New World Deli

Cash



New World Deli

7.6 Projected Balance Sheet

The balance sheet shows that the negative net worth is gradually solved with profits later on. Debts are repaid ahead of schedule.

Table: Balance Sheet

Pro Forma Balance Sheet			
	Year 1	Year 2	Year 3
Assets			
Current Assets			
Cash	\$50,928	\$22,360	\$47,427
Inventory	\$24,979	\$26,723	\$26,179
Other Current Assets	\$2,000	\$42,000	\$42,000
Total Current Assets	\$77,907	\$91,082	\$115,606
Long-term Assets			
Long-term Assets	\$24,000	\$74,000	\$74,000
Accumulated Depreciation	\$0	\$0	\$0
Total Long-term Assets	\$24,000	\$74,000	\$74,000
Total Assets	\$101,907	\$165,082	\$189,606
Liabilities and Capital			
Current Liabilities			
Accounts Payable	\$34,330	\$35,892	\$38,042
Current Borrowing	\$25,132	\$0	\$0
Other Current Liabilities	\$0	\$0	\$0
Subtotal Current Liabilities	\$59,462	\$35,892	\$38,042
Long-term Liabilities	\$0	\$0	\$0
Total Liabilities	\$59,462	\$35,892	\$38,042
Paid-in Capital			
Paid-in Capital	\$20,000	\$20,000	\$20,000
Retained Earnings	(\$30,800)	(\$2,555)	\$49,191
Earnings	\$53,245	\$111,745	\$82,373
Total Capital	\$42,445	\$129,191	\$151,563
Total Liabilities and Capital	\$101,907	\$165,082	\$189,606
Net Worth	\$42,445	\$129,191	\$151,563

7.7 Business Ratios

Standard business ratios are for the eating establishment industry as a whole. Because of the vast number of firms in this industry and the incredible variety that exists between firms, there is variance between the industry standard and a specific company like New World Deli. However, the ratios do show a healthy company that has appropriate costs plus asset and liability allocation. Industry profile ratios are based on the Standard Industrial Classification (SIC) code 5812, Eating Places, are shown for comparison.

New World Deli

Table: Ratios

Ratio Analysis				
	Year 1	Year 2	Year 3	Industry Profile
Sales Growth	n.a.	5.00%	5.00%	7.60%
Percent of Total Assets				
Inventory	24.51%	16.19%	13.81%	3.60%
Other Current Assets	1.96%	25.44%	22.15%	35.60%
Total Current Assets	76.45%	55.17%	60.97%	43.70%
Long-term Assets	23.55%	44.83%	39.03%	56.30%
Total Assets	100.00%	100.00%	100.00%	100.00%
Current Liabilities	58.35%	21.74%	20.06%	32.70%
Long-term Liabilities	0.00%	0.00%	0.00%	28.50%
Total Liabilities	58.35%	21.74%	20.06%	61.20%
Net Worth	41.65%	78.26%	79.94%	38.80%
Percent of Sales				
Sales	100.00%	100.00%	100.00%	100.00%
Gross Margin	59.00%	56.13%	55.71%	60.50%
Selling, General & Administrative Expenses	50.80%	39.74%	44.18%	39.80%
Advertising Expenses	5.08%	3.67%	5.59%	3.20%
Profit Before Interest and Taxes	12.28%	23.60%	16.44%	0.70%
Main Ratios				
Current	1.31	2.54	3.04	0.98
Quick	0.89	1.79	2.35	0.65
Total Debt to Total Assets	58.35%	21.74%	20.06%	61.20%
Pre-tax Return on Net Worth	179.21%	123.57%	77.64%	1.70%
Pre-tax Return on Assets	74.64%	96.70%	62.06%	4.30%
Additional Ratios				
	Year 1	Year 2	Year 3	
Net Profit Margin	8.20%	16.39%	11.51%	n.a
Return on Equity	125.44%	86.50%	54.35%	n.a
Activity Ratios				
Inventory Turnover	10.91	10.02	10.28	n.a
Accounts Payable Turnover	12.67	12.17	12.17	n.a
Payment Days	27	29	29	n.a
Total Asset Turnover	6.37	4.13	3.78	n.a
Debt Ratios				
Debt to Net Worth	1.40	0.28	0.25	n.a
Current Liab. to Liab.	1.00	1.00	1.00	n.a
Liquidity Ratios				
Net Working Capital	\$18,445	\$55,191	\$77,563	n.a
Interest Coverage	21.68	128.04	183,568,059.24	n.a
Additional Ratios				
Assets to Sales	0.16	0.24	0.26	n.a
Current Debt/Total Assets	58%	22%	20%	n.a
Acid Test	0.89	1.79	2.35	n.a
Sales/Net Worth	15.30	5.28	4.72	n.a
Dividend Payout	0.47	0.22	0.73	n.a

Appendix

Table: Sales Forecast

Sales Forecast													
		Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Sales													
Breakfast lines	0%	\$3,960	\$8,515	\$10,855	\$13,015	\$13,735	\$16,615	\$14,635	\$13,735	\$20,808	\$21,732	\$23,688	\$20,292
Lunch lines	0%	\$9,240	\$9,756	\$10,476	\$11,155	\$11,695	\$11,875	\$10,525	\$10,615	\$13,315	\$14,215	\$14,904	\$12,834
Coffee lines	0%	\$7,920	\$8,495	\$8,855	\$9,095	\$9,275	\$9,575	\$8,135	\$8,195	\$10,416	\$11,155	\$11,965	\$10,795
Take-out dishes	0%	\$11,000	\$12,145	\$13,315	\$13,765	\$13,675	\$13,855	\$11,245	\$11,335	\$12,775	\$13,315	\$13,405	\$14,305
Other	0%	\$3,212	\$3,891	\$4,350	\$4,703	\$4,838	\$5,192	\$4,454	\$4,388	\$5,731	\$6,042	\$6,396	\$5,823
Total Sales		\$35,332	\$42,802	\$47,851	\$51,733	\$53,218	\$57,112	\$48,994	\$48,268	\$63,045	\$66,459	\$70,358	\$64,049
Direct Cost of Sales													
Breakfast lines	35%	\$1,386	\$2,980	\$3,799	\$4,555	\$4,807	\$5,815	\$5,122	\$4,807	\$7,283	\$7,606	\$8,291	\$7,102
Lunch lines	35%	\$3,234	\$3,415	\$3,667	\$3,904	\$4,093	\$4,156	\$3,684	\$3,715	\$4,660	\$4,975	\$5,216	\$4,492
Coffee lines	35%	\$2,772	\$2,973	\$3,099	\$3,183	\$3,246	\$3,351	\$2,847	\$2,868	\$3,646	\$3,904	\$4,188	\$3,778
Take-out dishes	35%	\$3,850	\$4,251	\$4,660	\$4,818	\$4,786	\$4,849	\$3,936	\$3,967	\$4,471	\$4,660	\$4,692	\$5,007
Other	40%	\$1,285	\$1,556	\$1,740	\$1,881	\$1,935	\$2,077	\$1,782	\$1,755	\$2,293	\$2,417	\$2,558	\$2,329
Subtotal Direct Cost of Sales		\$12,527	\$15,175	\$16,965	\$18,342	\$18,868	\$20,249	\$17,371	\$17,113	\$22,352	\$23,563	\$24,945	\$22,708

Appendix

Table: Personnel

Personnel Plan													
		Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Owner/founder	0%	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000
Counter Clerks	0%	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000
Kitchen	0%	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500
Busboys	0%	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000
Total People		9	9	9	9	9	9	9	9	9	9	9	9
Total Payroll		\$15,500	\$15,500	\$15,500	\$15,500	\$15,500	\$15,500	\$15,500	\$15,500	\$15,500	\$15,500	\$15,500	\$15,500

Appendix

Table: General Assumptions

General Assumptions	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Plan Month	1	2	3	4	5	6	7	8	9	10	11	12
Current Interest Rate	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
Long-term Interest Rate	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
Tax Rate	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%
Other	0	0	0	0	0	0	0	0	0	0	0	0

Appendix

Table: Profit and Loss

Pro Forma Profit and Loss												
	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Sales	\$35,332	\$42,802	\$47,851	\$51,733	\$53,218	\$57,112	\$48,994	\$48,268	\$63,045	\$66,459	\$70,358	\$64,049
Direct Cost of Sales	\$12,527	\$15,175	\$16,965	\$18,342	\$18,868	\$20,249	\$17,371	\$17,113	\$22,352	\$23,563	\$24,945	\$22,708
Other kitchen expenses	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000
Total Cost of Sales	\$15,527	\$18,175	\$19,965	\$21,342	\$21,868	\$23,249	\$20,371	\$20,113	\$25,352	\$26,563	\$27,945	\$25,708
Gross Margin	\$19,805	\$24,627	\$27,886	\$30,391	\$31,350	\$33,863	\$28,623	\$28,155	\$37,693	\$39,896	\$42,413	\$38,340
Gross Margin %	56.05%	57.54%	58.28%	58.75%	58.91%	59.29%	58.42%	58.33%	59.79%	60.03%	60.28%	59.86%
Expenses												
Payroll	\$15,500	\$15,500	\$15,500	\$15,500	\$15,500	\$15,500	\$15,500	\$15,500	\$15,500	\$15,500	\$15,500	\$15,500
Sales and Marketing and Other Expenses	\$9,000	\$9,000	\$9,000	\$9,000	\$9,000	\$9,000	\$4,500	\$4,500	\$4,500	\$4,500	\$4,500	\$4,500
Depreciation	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Utilities	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200
Insurance	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500
Payroll Taxes	15%	\$2,325	\$2,325	\$2,325	\$2,325	\$2,325	\$2,325	\$2,325	\$2,325	\$2,325	\$2,325	\$2,325
Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Operating Expenses	\$27,525	\$27,525	\$27,525	\$27,525	\$27,525	\$27,525	\$23,025	\$23,025	\$23,025	\$23,025	\$23,025	\$23,025
Profit Before Interest and Taxes	(\$7,720)	(\$2,898)	\$361	\$2,866	\$3,825	\$6,338	\$5,598	\$5,130	\$14,668	\$16,871	\$19,388	\$15,315
EBITDA	(\$7,720)	(\$2,898)	\$361	\$2,866	\$3,825	\$6,338	\$5,598	\$5,130	\$14,668	\$16,871	\$19,388	\$15,315
Interest Expense	\$247	\$244	\$303	\$362	\$359	\$355	\$352	\$348	\$345	\$341	\$213	\$209
Taxes Incurred	(\$2,390)	(\$943)	\$17	\$751	\$1,040	\$1,795	\$1,574	\$1,434	\$4,297	\$4,959	\$5,753	\$4,532
Net Profit	(\$5,577)	(\$2,199)	\$41	\$1,753	\$2,426	\$4,188	\$3,673	\$3,347	\$10,026	\$11,571	\$13,423	\$10,574
Net Profit/Sales	-15.78%	-5.14%	0.08%	3.39%	4.56%	7.33%	7.50%	6.93%	15.90%	17.41%	19.08%	16.51%

Appendix

Table: Cash Flow

Pro Forma Cash Flow												
	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Cash Received												
Cash from Operations												
Cash Sales	\$35,332	\$42,802	\$47,851	\$51,733	\$53,218	\$57,112	\$48,994	\$48,268	\$63,045	\$66,459	\$70,358	\$64,049
Subtotal Cash from Operations	\$35,332	\$42,802	\$47,851	\$51,733	\$53,218	\$57,112	\$48,994	\$48,268	\$63,045	\$66,459	\$70,358	\$64,049
Additional Cash Received												
Sales Tax, VAT, HST/GST Received	0.00%	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
New Current Borrowing	\$0	\$0	\$7,500	\$7,500	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
New Other Liabilities (interest-free)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
New Long-term Liabilities	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Sales of Other Current Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Sales of Long-term Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
New Investment Received	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal Cash Received	\$35,332	\$42,802	\$55,351	\$59,233	\$53,218	\$57,112	\$48,994	\$48,268	\$63,045	\$66,459	\$70,358	\$64,049
Expenditures												
Expenditures from Operations												
Cash Spending	\$15,500	\$15,500	\$15,500	\$15,500	\$15,500	\$15,500	\$15,500	\$15,500	\$15,500	\$15,500	\$15,500	\$15,500
Bill Payments	\$1,306	\$38,962	\$32,477	\$34,337	\$35,990	\$35,973	\$38,533	\$26,738	\$29,609	\$43,197	\$40,794	\$42,708
Subtotal Spent on Operations	\$16,806	\$54,462	\$47,977	\$49,837	\$51,490	\$51,473	\$54,033	\$42,238	\$45,109	\$58,697	\$56,294	\$58,208
Additional Cash Spent												
Sales Tax, VAT, HST/GST Paid Out	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Principal Repayment of Current Borrowing	\$387	\$391	\$394	\$397	\$400	\$404	\$407	\$411	\$414	\$417	\$15,421	\$424
Other Liabilities Principal Repayment	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$10,000
Long-term Liabilities Principal Repayment	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Purchase Other Current Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Purchase Long-term Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Dividends	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$25,000
Subtotal Cash Spent	\$17,194	\$54,853	\$48,371	\$50,234	\$51,890	\$51,877	\$54,440	\$42,649	\$45,523	\$59,115	\$71,715	\$93,633
Net Cash Flow	\$18,138	(\$12,051)	\$6,980	\$8,999	\$1,328	\$5,235	(\$5,446)	\$5,619	\$17,522	\$7,344	(\$1,356)	(\$29,584)
Cash Balance	\$46,338	\$34,287	\$41,268	\$50,267	\$51,595	\$56,830	\$51,383	\$57,003	\$74,525	\$81,869	\$80,512	\$50,928

Appendix

Table: Balance Sheet

Pro Forma Balance Sheet													
Assets	Starting Balances	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Current Assets													
Cash	\$28,200	\$46,338	\$34,287	\$41,268	\$50,267	\$51,595	\$56,830	\$51,383	\$57,003	\$74,525	\$81,869	\$80,512	\$50,928
Inventory	\$0	\$13,779	\$16,693	\$18,662	\$20,176	\$20,755	\$22,274	\$19,108	\$18,825	\$24,588	\$25,919	\$27,440	\$24,979
Other Current Assets	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000
Total Current Assets	\$30,200	\$62,118	\$52,980	\$61,930	\$72,443	\$74,350	\$81,103	\$72,491	\$77,827	\$101,112	\$109,788	\$109,952	\$77,907
Long-term Assets													
Long-term Assets	\$24,000	\$24,000	\$24,000	\$24,000	\$24,000	\$24,000	\$24,000	\$24,000	\$24,000	\$24,000	\$24,000	\$24,000	\$24,000
Accumulated Depreciation	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Long-term Assets	\$24,000	\$24,000	\$24,000	\$24,000	\$24,000	\$24,000	\$24,000	\$24,000	\$24,000	\$24,000	\$24,000	\$24,000	\$24,000
Total Assets	\$54,200	\$86,118	\$76,980	\$85,930	\$96,443	\$98,350	\$105,103	\$96,491	\$101,827	\$125,112	\$133,788	\$133,952	\$101,907
Liabilities and Capital													
Current Liabilities													
Accounts Payable	\$0	\$37,882	\$31,334	\$33,137	\$34,794	\$34,675	\$37,644	\$25,767	\$28,167	\$41,840	\$39,362	\$41,525	\$34,330
Current Borrowing	\$30,000	\$29,613	\$29,222	\$36,328	\$43,431	\$43,030	\$42,627	\$42,219	\$41,809	\$41,395	\$40,977	\$25,556	\$25,132
Other Current Liabilities	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$0
Subtotal Current Liabilities	\$40,000	\$77,494	\$70,556	\$79,465	\$88,225	\$87,705	\$90,271	\$77,986	\$79,975	\$93,235	\$90,339	\$77,081	\$59,462
Long-term Liabilities													
Total Liabilities	\$40,000	\$77,494	\$70,556	\$79,465	\$88,225	\$87,705	\$90,271	\$77,986	\$79,975	\$93,235	\$90,339	\$77,081	\$59,462
Paid-in Capital													
Paid-in Capital	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000
Retained Earnings	(\$5,800)	(\$5,800)	(\$5,800)	(\$5,800)	(\$5,800)	(\$5,800)	(\$5,800)	(\$5,800)	(\$5,800)	(\$5,800)	(\$5,800)	(\$5,800)	(\$30,800)
Earnings	\$0	(\$5,577)	(\$7,776)	(\$7,735)	(\$5,982)	(\$3,556)	\$632	\$4,305	\$7,652	\$17,678	\$29,249	\$42,671	\$53,245
Total Capital	\$14,200	\$8,623	\$6,424	\$6,465	\$8,218	\$10,644	\$14,832	\$18,505	\$21,852	\$31,878	\$43,449	\$56,871	\$42,445
Total Liabilities and Capital	\$54,200	\$86,118	\$76,980	\$85,930	\$96,443	\$98,350	\$105,103	\$96,491	\$101,827	\$125,112	\$133,788	\$133,952	\$101,907
Net Worth	\$14,200	\$8,623	\$6,424	\$6,465	\$8,218	\$10,644	\$14,832	\$18,505	\$21,852	\$31,878	\$43,449	\$56,871	\$42,445