



GrowthPath

Business Plans
Business Models



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About our Business Plans

GrowthPath business plans connect market and competitor analysis with your points of difference. We integrate this with a powerful financial model.

Together, the plan and the model make a roadmap for growth and a convincing narrative of business potential.

The plan shows how your strengths build on opportunities opened up by trends, market gaps and competitor weaknesses. The financial model is not based on the traditional accounting approach, but instead focuses on what drives revenues and costs. A range of scenarios are used. One conclusion from the model is a business valuation. We call this approach the Integrated Valuation Narrative (IVN) business plan.

All our plans use credible external data and show how your business is positioned against competitors (or how it will be positioned).

The written document is an analysis of your market and your competitors, using third-party market research data and our own analytical skills.

Our strong financial background is visible in our highly credible financial forecasts and risk analysis.

Using business plans for raising funds

An Information Memorandum (IM) is a formal document used by companies which want to raise funds from investors in Australia. A GrowthPath business plan is not an Information Memorandum, although it can be converted into an IM. There are small-scale fund raising options which do not need an IM. Raising funds from investors is carefully regulated in Australia, even for small amounts. A GrowthPath business plan is a significant part of the process, but it is not sufficient. You will need some specific professional advice. You can discuss this with us further.

Tailored to the audience

Effective communications need to be tailored to their audience.

Business plans have four main targets. A GrowthPath Business Plan adjusts accordingly.

The four main targets are

1. Investors
2. Lenders (eg banks)
3. Government or industry body, for a licence, approval or grant
4. Business owners and senior management



Successful communication always means knowing your audience

You can read more about these four audience types and how the business plan and model needs to be adjusted at our website:

<http://growthpath.com.au/services/business-plans-models-and-cashflow-forecasting.html>

Engaging GrowthPath to make a business plan

First Step: Quoting

We interview you to learn about your business, your management team, your history and immediate challenges. Together, we agree on the purpose of the plan and its audience.

Second step

You provide us with information and data. This may include recent financial performance, intellectual property you hold, ideas and concepts behind branding and market segments.

Third step

We complete a draft business plan. Optionally, custom market research can be conducted. We may also need to investigate your cost structure (we are experts at manufacturing, retail, online business and international trade so we probably have the expertise in-house).

A draft financial model is also ready at this point.

Fourth step: finalisation

We integrate a marketing plan. Marketing plans are specialised; we have experts on our team, but many clients have their own preferred marketing specialist.

Next steps

The business plan is finished. Additional services can include introduction to fund raising specialists (equity or debt), creating an investment marketing pack and supporting you in explaining and deploying the plan.

Contents of the business plan

GrowthPath offers four types of business plan. The investor-focused plan is a popular choice.

This is an example table of contents for an investor-focused business plan:

1. DEAL SUMMARY	2
2. CONTACT INFORMATION	2
3. KEY INVESTOR HIGHLIGHTS	2
4. THE INVESTMENT OPPORTUNITY	2
5. CURRENT STATUS OF THE BUSINESS	3
6. BUSINESS VISION	3
7. UNLOCKING ONLINE BUSINESS FOR EXISTING RETAILERS	3
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Market research

Market research is an important part of GrowthPath business plans.

We subscribe to leading data sources, such as IBIS World, and we access and analyse ABS data, including census data. We research large subscriber-only catalogs of academic and business journals.

We also undertake customised market research, such as surveys of customers and potential customers.

MedicalService Co Melbourne Business Plan

Administered appropriations for hearing services

Year	Appropriation* (\$ million)	(% change)
2005-06	261.2	12.6
2006-07	252.4	-3.4
2007-08	296.2	17.4
2008-09	319.8	8.0
2009-10	345.5	8.0
2010-11	357.8	3.6

* Current prices
SOURCE: COMMONWEALTH GOVERNMENT BUDGET AND RESOURCES

4.2. Market Size and Trends specific to MedicalService Co Melbourne

Demand for hearing services is affected by the extent of hearing loss in the community. In turn is caused by exposure to loud noise (accounting for 37% of hearing loss), illness, accidents, exposure to certain drugs and chemicals, or the normal ageing process. Most of the population aged between 60 and 70 has a hearing loss. This increases to 80% of those aged over 80 (source: Australian Hearing, a Federal Government agency).

Australian Hearing estimates that around 15% of Australians have hearing loss, and this is steadily increasing by around 0.25% per year until the middle of the century, mainly due to the ageing population.

MedicalService Co is based in postcode 3141 (South Yarra) and will serve the postcodes 3142, 3143 and 3144 (that is, an area south of the Yarra River and extending for about 10 kilometres).

This area is wealthy: 32% of households reported average weekly earnings above \$2000 in 2006, compared with 16% for Australian overall.

The population is older than average: 27% of the population was aged 55 or higher, compared with 24% for Australia as a whole.

The most recent Australian Census (2006) indicates there are 13,000 people over 55 years of age in these postcodes. This is 14% higher than census data of 2001, the proportion of people over 55 was 24% in 2001. The area is aging quite quickly, which makes it attractive for hearing services.

The total population in these postcodes is 49,500 people (2006 data)

Amusing 60% of the population over 55 has hearing loss, and 10% of the remainder, this gives a market size of around 11,500 people. Many of these will already have relationships with hearing service providers. The core market is those people who develop hearing problems, or

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OnlineCo.Com Business Plan

4.6. Australian Market Size and Segmentation

Key demographics and segmentation
IBISWorld reports on "Book, Magazines and Periodicals, and Stationery". The total domestic market is \$7.9bn, of which books are 33%, or \$2.6bn

This compares with New Zealand data provided by the Red Group, an operator of chain and franchise book stores, where books make up 42% of the same general sector definition. Education sales are 35% of book sales. Sales in the education sector are driven by the growing participation in education. The University Co-operative Bookshop, a major player in the education segment, has seen sales growth of 6% per year for the last five years.

Major market segmentation (2011)

Total \$7.9bn

4.7. Overview of online retail in Australia

According to IBISWorld (2011), online retail is growing by around 9% per year, with domestic revenue of \$5b. CBA published data in mid-2011 estimating the total online spend in Australia is \$9.5b, of which \$4.2b went to overseas businesses (so quite close to the IBIS World domestic estimate). This spend is around 4% of total retail spend. PwC released a report in mid-2011 estimating online retail to be \$14b by the end of 2011 with a growth of 13%. This report estimates that the overseas share is 50%, and growing annually by 25%. Overall retail growth is only 2%, so there is no doubt that online retail is getting enormous traction.

The domestic online retail market is possibly beginning to move away from complete dominance by specialist online retailers as established retailers build multi-channel capabilities, and learn how to integrate online with existing operations. However, multi-channel distribution is not easy, since established businesses worry about cannibalisation, and it does little to address the high-cost structures of existing operations. Overseas online retailers are likely to grow in importance due to cost and range advantages, and are providing some localised features, such as AUD pricing, and Australian return addresses.

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Competitor analysis

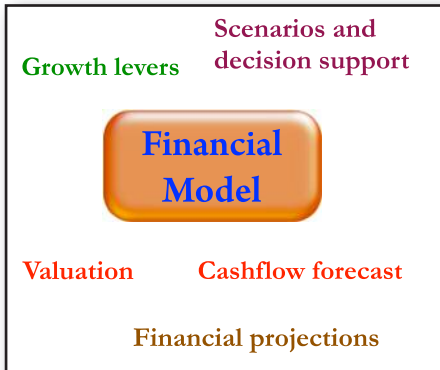
A “strengths and weakness” assessment is meaningless unless it is relative to competitors. A standard GrowthPath business plan includes expert analysis of key competitors. The analysis is based on a number of key variables which are unique to the market and business opportunity.

The market and competitor analysis makes it clear where your business has an opportunity for positive differentiation, and what features need to exist to be a credible player in the target market.

The illustration below is a partial extract of a matrix-summary of a competitor analysis.

4.9. Competitors: Market Positioning and Differentiation						
Color Coding	significant point of difference					
	Required, otherwise a significant weakness					
	Needs further attention to decide significance					
	eBay	Amazon	myShopping.com.au	Fishpond.com	Aoutlet.com	Online.Com Asia Pacific
Type	Online marketplace, C2C and B2C	Online retailer, & marketplace B2C	Price comparison search engine B2C	Online retailer, & marketplace C2C	Online marketplace, C2C(?) and B2C	Online marketplace B2C
Country of domicile for sellers (APR region)	AU,NZ,JP	JP	AU	AU,NZ	None in APR	AU,NZ
Monthly fees for 5000 SKU store	\$500	\$40		\$0	\$0	\$0
Revenue model	Fixed fee + sales commission	Fixed fee + sales commission	Pay per click	Sales com5)mission	Sales commission	Sales commission
Commission taken	\$525 + plus approx. \$330 PayPal fees (2.4% + \$0.30)	\$1660 (includes payment commission)		\$750 (10)	\$750	\$750
Total fees	\$1355 (18%)	\$1700 (23%)		\$750	\$750 (10%)	\$750 (10%)
Seller reputation management	Yes	Yes	No	Yes	No	Yes
Seller regulation by market place	Weak (reactive supplier delisting)	Strong (Active monitoring of performance)	Weak	No	Very Weak	Strong ?
Marketplace Offers fulfilment	No	Yes	No	No	No	No
Mandated shipping fees	No	Yes	No	Yes	No	No (but given the appeal of free shipping to consumers, this could be considered)

Financial model



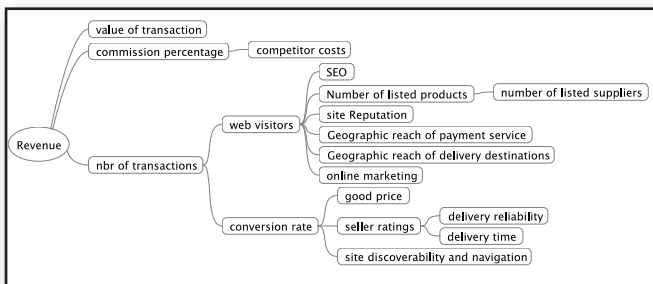
The financial model is central to the business plan. It enables many valuable features of the GrowthPath IVN Business Plan package.

Unlike traditional Profit and Loss statements, our financial model is based on revenue and cost drivers: the few key aspects your business needs to focus on for profit and growth. The

traditional financial reports are important, but they are an output of the model, not the framework of the model

Revenue and cost drivers

Revenue and cost drivers are mapped into a tree, which forms the basis for the financial model. Revenue and cost drivers help you focus on what really influences profit and growth.



Financial Statements

The standard financial model automatically produces three years of Profit & Loss, Balance Sheet statements.

Profit and Loss Statement		Year 3	HKD	
For 12 months from		1/07/13	Scenario:	Mid
to		30/06/14		
		HKD		
Sales				
Logistics services		14,626,190		
Other sales		0		
Total Sales		14,626,190		
Variable Costs		7,635,942		
Contribution Margin		6,990,247		48%
Fixed expenses and overheads				
Supervising staff		486,000		3%
IT Development costs		0		0%
General Admin costs		180,000		1%
Accounting, payroll and auditing fees		44,000		0%
IT licences		120,000		1%
Rent		300,000		2%
Equipment lease expense		0		0%
Comms				
utilities				
travel cost				
business d				
marketing				
account m				
interest ex				
Managemt				
spare				
Depreciat				
Total fixed e				
Special exp				
Total				
Profit before				
Income tax (
Profit after t				

Balance Sheet		Year 1	30/06/14 HKD	
		HKD	Scenario:	Mid
Assets				
<u>Current Assets</u>				
Cash		7,561,125		
AR		453,970		
Stock		0		
Total				8,015,095
<u>Fixed Assets</u>				
Total				75,000
<u>Other assets</u>				
Rent bond		75,000		
HK Post bond		100,000		
Total				175,000
<u>Total assets</u>				
8,265,095				
Liabilities				
<u>Current Liabilities</u>				
AP		236,527		
Income Tax Provision		691,264		
GST/VAT				
<u>Total Current Liabilities</u>				
927,791				

Valuation and Share Dilution Tools

Our standard financial model includes two valuation methods, and we can optionally include a share dilution tool so existing shareholders can model their dilution based on certain equity offers in one or two rounds.

		Terminal Growth		7%	
Valuation method 1: EBIT MULTIPLE					
		Scenario		Mid	
EBITDA at end year 3	\$4,204,479				
Multiple	8				
Value (HKD)	\$3,635,833				
Value (AUD)	\$4,053,454				
Five year cashflow, moderate growth option					
	Year1	Year2	Year3	Terminal	
Operational Cash	\$-267,473	\$3,185,818	\$3,642,780	\$3,642,779.89	
Discount factor	1.20	1.44	1.73		
Discounted	\$-222,894	\$2,212,374	\$2,108,090	\$29,562,881	

The EBIT multiple is a judgement. This method is more applicable if the business is planning to list.

This cashflow model is influenced by the discount rate (risk) and the perpetual growth assumed for the terminal cash flow.

		AUD	
Share offer worksheet			
Valuation		\$500,000	
Number of shares		1000000	
Price per share		\$ 0.50	
Before Round 1			
	Share%	Number of shares	Value
Founding Owner 1	25%	250,000	\$ 125,000
Founding Owner 2	15%	150,000	\$ 75,000
Founding Owner 3	20%	200,000	\$ 100,000
Founding Owner 4	20%	200,000	\$ 100,000
Founding Owner 5	20%	200,000	\$ 100,000
Implied value for Founding Owners		\$ 500,000	
Round 1			
Implied value		\$1,000,000	
Equity raised		\$200,000	
Share sold		20.0%	
Founders' dilution		20.0%	
New Shares issued		250,000	
Total number of shares		1,250,000	
		Number of shares	Value
New Owner A Rd 1	10%	125,000	\$ 100,000
New Owner B Rd 1	10%	125,000	\$ 100,000
New Owner C Rd 1		-	\$ -
Checksum (total must equal new share issued) 20.0%			
Founding Owner 1	20%	250000	\$ 200,000
Founding Owner 2	12%	150000	\$ 120,000
Founding Owner 3	16%	200000	\$ 160,000
Founding Owner 4	16%	200000	\$ 160,000
Founding Owner 5	16%	200000	\$ 160,000
Checksum (total must be 100)		100%	
Implied value for Founding Owners		\$ 800,000	
Round 2			
Implied value		4000000	
Equity raised		200000	
Share sold		5%	
Founders' dilution		4%	

Founders' share 80%

Per share \$ 0.80

Founders' share 76% Round 1's share 10%

Pricing

A GrowthPath business plan is customised for each project. The point of a business plan is to show how a business is different from competitors, and how it uses that difference to create value. It's self-defeating to attempt a convincing analysis using a me-too, one-size-fits-all plan.

Such a strong business plan and financial model requires a considerable amount of effort. We need to work with the client to determine how much existing work can be re-used. We are strongly motivated to use existing information because it means we can quote more cheaply.

Business plans for our clients are usually in the range of \$3000 to \$10 000 (before GST).

Our business plans are fixed price, not based on hourly rates.

How to proceed

Please call or email for an initial discussion. Then we will ask you to complete a short questionnaire which will help us prepare a quote.

You can contact GrowthPath on 03 8678 1850 or info@growthpath.com.au

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