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Fescue & Sons Yard Care

1.0 Executive Summary

Fescue & Sons Yard Care is a residential lawn care service targeting rural middle-class homes with large yards which the owners cannot care for well on their own. Over the last three years, the prices for homes in the nearby urban area have skyrocketed. Many families in our targeted income bracket have chosen to buy larger parcels in the nearby countryside, rather than spending huge amounts on small lots in the city. However, many of them are unprepared for the level of care such large lawns require, and end up with small gardens near the house, and overgrown acreage further away.

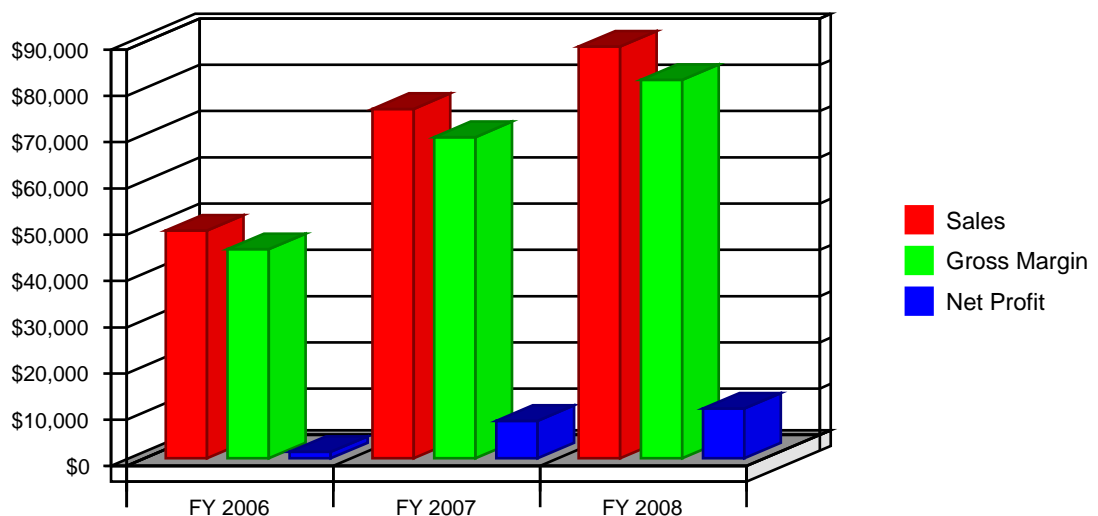
Fescue & Sons Yard Care will start out as a partnership, owned jointly and equally by Red and Kikuyu Fescue. For the last five years, Red has worked as head landscaper at ABC Landscaping. He now has the design and lawn-care expertise, as well as the management experience, to begin his own business. Kikuyu is a graphic designer and master gardener. Her skills will be extremely useful in creating the look of our marketing materials, from brochures to business cards to newspaper ads. She will continue to work in her current job while Red manages the day-to-day details of the company.

Over the first summer, Red will be the primary employee, with some part-time help from his son, Rye. Rye has worked with Red at ABC landscaping and will continue to help out at Fescue & Sons in the summers.

In the spring of 2006, we will hire an additional landscaper for seasonal work, and may hire another if demand warrants. In mid-summer of 2006 we will purchase additional equipment, including a second trailer or used truck.

As a business with largely seasonal profits, we will use the high summer revenues to support the business through the winter's leaner months. We will have a modest profit in the first year, but expect profits over \$8,000 in the second fiscal year and over \$10,000 in the third year.

Highlights



Fescue & Sons Yard Care

1.1 Objectives

Our objectives for the first three years of operation are to:

- Create a service-based company whose primary goal is to exceed customers' expectations.
- Obtain contracts for yard service in at least 30 different residential homes.
- Increase our number of clients served by 3% per year.
- Develop a sustainable home business, being maintained by its own cash flow.

1.2 Mission

The mission of Fescue & Sons Yard Care is to provide top-quality residential and commercial yard care service. We will strive to attract and maintain customers by providing services in the most timely manner to provide 100% customer satisfaction. Our services will exceed the expectations of our customers.

1.3 Keys to Success

1. Experienced landscaper with excellent customer-service skills
2. Commitment to high quality and professionalism in every task and encounter
3. Small size, allowing direct management oversight of every project and employee

2.0 Company Summary

Fescue & Sons Yard Care will offer residential and commercial lawn care service, including lawn cutting, trimming, edging, and removal of the clippings. Most of our customers will use our services once every week or every two weeks, depending on the amount of rain we get. In this area, lawn care needs vary greatly depending on the weather, and while this year is likely to be dry, future years will probably see a return to normal rain levels, meaning faster-growing grass and weeds and more frequent lawn care.

2.1 Company Ownership

Fescue & Sons Yard Care will start out as a partnership, owned jointly and equally by Red and Kikuyu Fescue. As the business grows, the owners will consider re-registering as a limited liability company or as a corporation, whichever will better suit the future business needs.

Fescue & Sons Yard Care

2.2 Start-up Summary

Fescue & Sons Yard Care's start-up costs include:

- Home office equipment: file cabinet, computer system (including printer, scanner, and fax software)

Long-term assets:

- Vehicle: The owners are contributing a 1998 Toyota pickup to the business

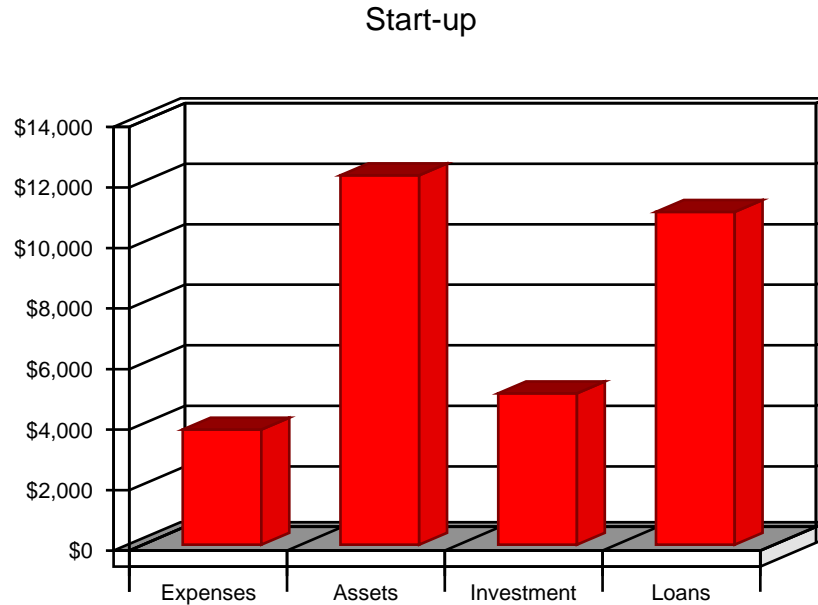
Short-term assets

- Two commercial mowers
- Trimmer: used to reach grass around trees and other hard to reach areas
- Edger: cuts grass that grows over the border of the lawn and driveway
- Blowers: blasts stray clippings that litter the sidewalk and driveway
- Hedge trimming equipment
- Two rakes
- Two shovels
- Two pruners
- Two loppers
- Safety equipment, including steel toed shoes, goggles, gloves
- Standard tool box with tools for simple repairs

Table: Start-up

Start-up	
Requirements	
Start-up Expenses	
Legal/LLC	\$500
Ad	\$50
Brochures/Business Cards	\$150
Home Office	\$3,000
Accounting Software	\$100
Other	\$0
Total Start-up Expenses	\$3,800
Start-up Assets	
Cash Required	\$6,200
Other Current Assets	\$2,500
Long-term Assets	\$3,500
Total Assets	\$12,200
Total Requirements	\$16,000

Fescue & Sons Yard Care



3.0 Services

Fescue & Sons Yard Care will provide residential lawn care service which includes lawn cutting, edging and trimming. Optional services will be available upon customers' requests. The service is typically offered once a week in season, but we can create a custom schedule for clients if they have beginning of the season projects, or if the weather changes their lawn care needs.

4.0 Market Analysis Summary

Fescue & Sons Yard Care will target rural middle-class families with larger lawns or parcels of property. This population is the most likely to use a lawn care service such as ours, since they often have more acreage than they can easily care for.

Red will be canvassing neighborhoods and posting flyers to develop a clientele. We will also place advertisements in the local rural newspaper to develop visibility for Fescue & Sons Yard Care.

In the second year, Red will expand service beyond the small rural town to the urban area located 15 miles east.

Fescue & Sons Yard Care

4.1 Market Segmentation

Fescue & Sons Yard Care will be targeting families with annual income over \$50,000. The median income of \$50,000 and above is targeted because they tend to have more disposable income for the care of their lawn, whereas lower income families will tend to provide their own lawn care.

Over the last three years, the prices for homes in the nearby urban place advertisements have skyrocketed. Many families in our targeted income bracket have chosen to buy larger parcels in the nearby countryside, rather than spending huge amounts on small lots in the city. However, many of them are unprepared for the level of care such large lawns require, and end up with small gardens near the house, and overgrown acreage further away.

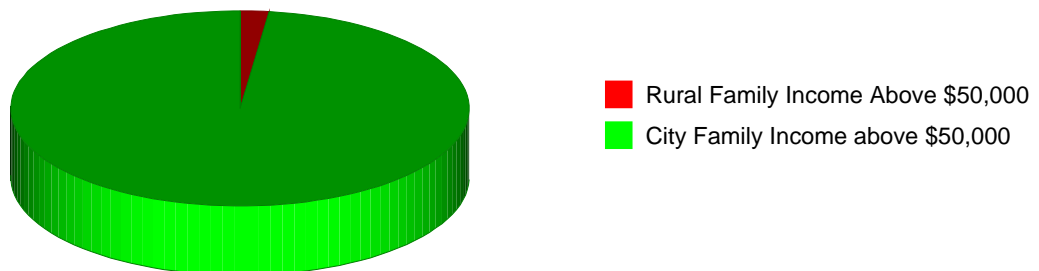
By targeting customers with large lawns and parcels of property, we will fill the niche created by urban flight, as well as keep our margins higher than we could with small lawns. Transportation time and costs for all the equipment make it more profitable to do a few large lawns than many smaller ones.

By doing a superb job on these rural lawns in the first year, we hope to build a positive reputation which will carry over with recommendations to co-workers and friends in our customers' former urban neighborhoods. Since we want to maximize lawn size cared for in both settings, our eventual outreach to urban dwellings will focus on high-end houses and lawns on large, often older, lots.

Table: Market Analysis

Market Analysis		2005	2006	2007	2008	2009	
Potential Customers	Growth						CAGR
Rural Family Income Above \$50,000	3%	300	309	318	328	338	3.03%
City Family Income above \$50,000	3%	14,500	15,000	15,450	15,914	16,391	3.11%
Total	3.11%	14,800	15,309	15,768	16,242	16,729	3.11%

Market Analysis (Pie)



4.2 Target Market Segment Strategy

Initially, we will canvass nearby homes in our rural town. Red will be basing the business out of our home, very close to the target market. Red will start by speaking with his own neighbors. Although some people are put off by solicitors, Red is their neighbor, so they will be more comfortable with him and he will be able to make his sales pitch. We will also put some small signs on our own lawn advertising our service.

Once Red has built up a steady list of customers he will begin to run advertisements in the local paper to gain access in different neighborhoods. In the second year, we will continue running ads and begin outreach to the more affluent city customers with large lawns.

4.3 Service Business Analysis

Fescue & Sons Yard Care will be working in the lawn care industry. The industry includes both residential areas (individual homes) and commercial areas (apartment complexes, business parks, schools, etc.).

The commercial side is generally serviced by larger landscaping services. The residential side is serviced by both landscaping companies and basic lawn care service companies.

The lawn care business is made up of many small companies. This occurs because of the high labor intensity and low start-up costs of the industry. The industry is vulnerable to recession, as lawn care is a luxury. Lastly, the lawn care industry is seasonal, with the high season being spring through fall. There is usually little activity in the winter, but some can be achieved by acquiring a clientele that will utilize monthly maintenance through the winter months.

4.3.1 Competition and Buying Patterns

The lawn care business can be divided into two types, residential and commercial. As a start up or one person business, it is much easier to enter into the residential market compared with the commercial market. The commercial market is dominated by larger, established companies.

Within the residential market, there are two competitors: full-scale landscaping companies and basic lawn care services. The full-scale landscaping companies will generally be handling jobs outside of Fescue & Sons' range. They are servicing even larger homes that require other landscaping activities that need more equipment and multiple employees. The margins are therefore larger for the full-scale companies because they can charge more for the higher-skilled work. The other competitor is the basic lawn care services, not unlike Fescue & Sons Yard Care. In the residential market, the current competition is underwhelming and often lacks basic quality and professionalism.

The trend with the residential customers is that they are making their purchasing decisions based on referrals and perceived professionalism and quality of service.

5.0 Strategy and Implementation Summary

Fescue and Sons will rely on Red's knowledge of the local community and top-quality landscaping skills. Initial outreach will involve direct canvassing of the neighborhood. This will be supplemented by ads, showing properties we have worked on, and brochures and fliers hung up in local businesses.

We will also rely on word of mouth, so part of our strategy is to treat every job as if it were the most important client we have ever had. Phone calls will be returned promptly, services will be done professionally and on time, and customers will be treated with respect.

5.1 Competitive Edge

Fescue & Sons Yard Care's competitive edges will be our high quality work and unflagging professionalism.

During the first summer, Red will do all of the lawn care and other work, with some help from his son, Rye. Starting in May of 2006, we will hire a second, part-time employee as a landscaper. Red, Rye, and the landscaper will always work as a team, allowing for direct supervision of all workers and direct involvement with the job at hand, to ensure customers receive the high quality they expect.

Fescue & Sons Yard Care's second competitive edge is professionalism. In our business, this means returning customer inquiries promptly, showing up on time, bringing all necessary equipment, reserving breaks for times away from the customers' yards, and cleaning up thoroughly after ourselves when we leave. To facilitate communication, Red will have a cell phone at all times, where he can be reached directly or receive messages, if he's in the middle of a job. Cell phone reception in most of the town is quite good, despite being a rural area.

All of these sound like simple things, but they will help us stand out from the local competition.

5.2 Marketing Strategy

Our marketing strategy in the first year relies largely on face-to-face contact between Red and potential customers, and word-of-mouth from satisfied clients. In the second year, we will place more ads, and in different papers (such as in the nearby city), as well as trying to generate more word-of-mouth from our customers.

5.3 Sales Strategy

Fescue & Sons Yard Care sales strategy will be based on one-on-one communications with potential customers. By going door to door in his own neighborhood, Red can become more familiar to these folks and take advantage of his outgoing personality.

In the start-up period (the month of June), we will set up the office, and purchase the necessary lawn care equipment. At the same time, Red will spend three to four afternoons a week, especially on weekends, going around the neighborhood to scout out problem lawns and talk to potential customers. There are at least two weekends coming up that are likely to be scorched, when potential customers will look outside and think that the last thing they want to

Fescue & Sons Yard Care

do is go out and mow the lawn - these are our best days to canvass the neighborhood, offering a service many do not even realize they want.

After getting in the door, Red's challenge will be to effectively communicate his experience and skills in lawn care and related work. He will bring a portfolio of some of the nicest lawns he has worked on in the past, when working as head landscaper for ABC landscapers, and photos of our own lawn, which is more similar to the ones in the neighborhood. He is also willing to offer a free estimate and cutting for those that are interested in a possible contract. Although some of the free cuttings will not turn out to be long-term customers, our competitive prices and superior service will turn most of the leads into customers.

By year two, the business will be ready to expand outside of the neighborhood. At that point, we will place more advertisements in the local paper to generate business. When people call with questions, Red will have already built up a loyal following of customers who can serve as an effective referral system.

5.3.1 Sales Forecast

We will consider ourselves "open for business" and start our fiscal year in July, 2005. We anticipate working on an average of 21 lawns per week in July, starting at around 10 the first week and up to 30 by the end of the month. These are reasonable initial forecasts for our area and our prices. We expect good feedback and word-of-mouth, as well as continued canvassing, to increase our customer base each month through the end of the season.

In September, we will begin advertising our end-of-year garden prep and winter maintenance services, which will supply revenue over the winter. Since the climate here is mild, many gardeners put off their seasonal clean-up and garden prep until it is too late. Weeds continue to grow all winter, long past when gardeners want to be out in the yard, and uncompleted garden prep forces them to do much more labor in the spring to get the garden back in shape.

Winter maintenance includes things like trellis and shed repairs, helping gardeners organize their supplies and seeds, and fixing or building cold frames for early vegetables.

Direct cost of sales for all of these projects includes gas for powered equipment and transportation costs, most equipment repair and maintenance, and the cost of any items used up in the process, like mower blades or edging strings. Unlike most big lawn care services, we are tracking direct labor costs as operating expenses, not direct cost of sales. These amounts can be found in the Personnel plan, and are reflected in the Profit and Loss statement.

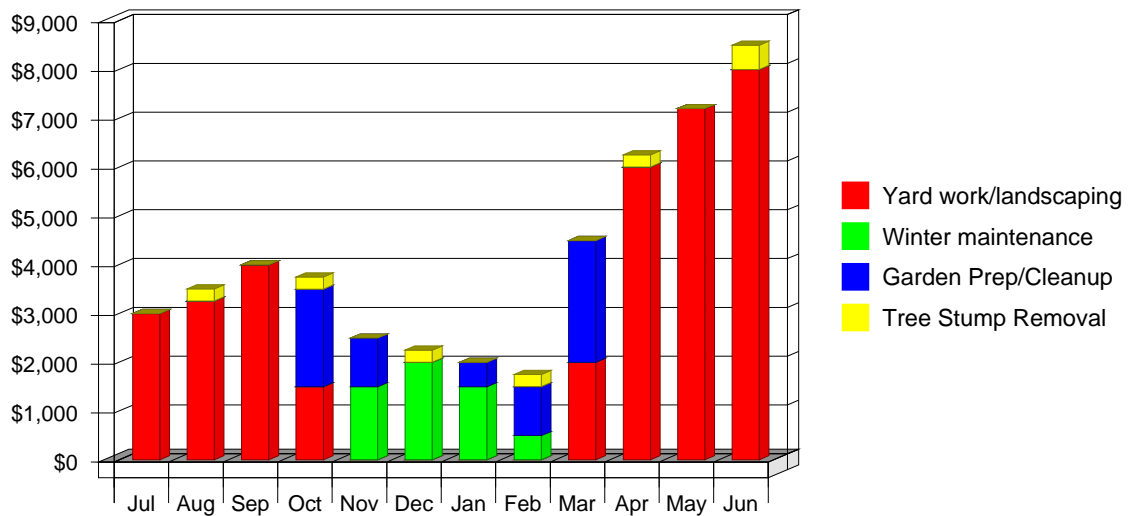
We also plan to do occasional tree stump removal, for which the direct cost of sales is higher, since it includes the cost to rent the equipment. If this becomes a larger part of our business, we may buy our own equipment.

Fescue & Sons Yard Care

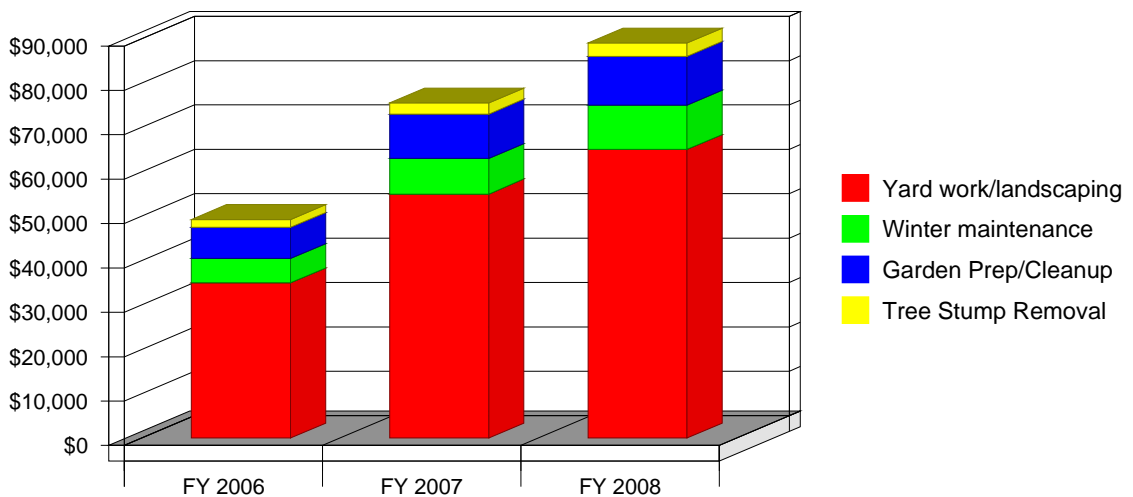
Table: Sales Forecast

Sales Forecast				
	FY 2006	FY 2007	FY 2008	
Sales				
Yard work/landscaping	\$34,954	\$55,000	\$65,000	
Winter maintenance	\$5,500	\$8,000	\$10,000	
Garden Prep/Cleanup	\$7,000	\$10,000	\$11,000	
Tree Stump Removal	\$1,750	\$2,500	\$3,000	
Total Sales	\$49,204	\$75,500	\$89,000	
Direct Cost of Sales				
Yards/Winter Maint/Gardens	\$3,322	\$5,110	\$6,020	
Other	\$700	\$1,000	\$1,200	
Subtotal Direct Cost of Sales	\$4,022	\$6,110	\$7,220	

Sales Monthly



Sales by Year



Fescue & Sons Yard Care

5.4 Milestones

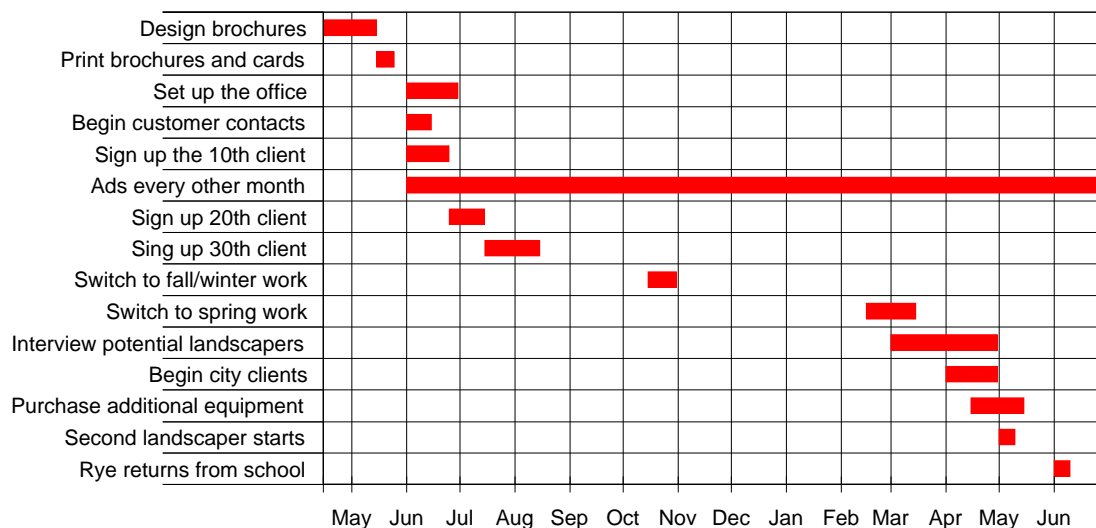
We have established some basic milestones to keep the business plan priorities in place. Red is in charge of all goals directly related to yard care and employee practices, while Kikuyu will oversee our marketing materials - brochures, business cards, ads, etc.

We have sketched out only a few milestones past the first year, as details of that implementation will become more clear in the spring of 2006. For now, we are focused on setting up the office and collecting customers.

Table: Milestones

Milestone	Start Date	End Date	Budget	Manager
Design brochures	4/15/2005	5/15/2005	\$0	Kikuyu
Print brochures and cards	5/15/2005	5/25/2005	\$150	Red
Set up the office	6/1/2005	6/30/2005	\$3,100	Red
Begin customer contacts	6/1/2005	6/15/2005	\$0	Red
Sign up the 10th client	6/1/2005	6/25/2005	\$0	Red
Ads every other month	6/1/2005	6/30/2006	\$175	Kikuyu
Sign up 20th client	6/25/2005	7/15/2005	\$0	Red
Sing up 30th client	7/15/2005	8/15/2005	\$0	Red
Switch to fall/winter work	10/15/2005	10/31/2005	\$0	Red
Switch to spring work	2/15/2006	3/15/2006	\$0	Red
Interview potential landscapers	3/1/2006	4/30/2006	\$0	Red
Begin city clients	4/1/2006	4/30/2006	\$50	Red
Purchase additional equipment	4/15/2006	5/15/2006	\$7,000	Red
Second landscaper starts	5/1/2006	5/10/2006	\$1,500	Red
Rye returns from school	6/1/2006	6/10/2006	\$0	Red
Totals			\$11,975	

Milestones



Fescue & Sons Yard Care

6.0 Management Summary

Red and Kikuyu have been involved in landscaping and outdoor design for over 10 years. For the last five years, Red has worked as head landscaper at ABC Landscaping. He now has the design and lawn-care expertise, as well as the management experience, to begin his own business. Red will oversee the work of his son, Rye, and a second landscaper, to be hired in the spring of 2006.

Kikuyu is a graphic designer and master gardener. Her skills will be extremely useful in creating the look of our marketing materials, from brochures to business cards to newspaper ads. She will continue to work in her current job while Red manages the day-to-day details of the company.

6.1 Personnel Plan

Rye has worked part-time at ABC Landscaping alongside his dad for over a year now, and will help out the family business during his summer breaks. His strengths include topiary design, hedge work, and edging and trimming.

In the spring of 2006, we will hire a second landscaper, and possibly a third, depending on how busy we are. We are seeking someone with at least two years of experience in the lawn care industry, with attention to detail and a good work ethic. Rye is already talking to some of his friends about possibly applying for this job, and they are good candidates. This will probably be a seasonal position, unless winter work ends up having a higher demand than expected.

Table: Personnel

Personnel Plan	FY 2006	FY 2007	FY 2008
Red	\$29,500	\$35,000	\$40,000
Rye	\$1,300	\$2,000	\$2,500
Landscaper	\$2,700	\$8,000	\$10,000
Total People	3	3	3
Total Payroll	\$33,500	\$45,000	\$52,500

Fescue & Sons Yard Care

7.0 Financial Plan

The following sections will outline important financial information.

7.1 Start-up Funding

The owners are contributing a truck worth \$3,500 as a long-term asset to the business, plus \$1,500 cash toward purchasing the short-term assets needed (mowers, trimmers, safety equipment, etc.). In addition, we are seeking a loan of \$11,000 to fund the rest of the start-up requirements. This loan will be backed by the Fescues' equity in their home.

Table: Start-up Funding

<u>Start-up Funding</u>	
Start-up Expenses to Fund	\$3,800
Start-up Assets to Fund	\$12,200
Total Funding Required	\$16,000
<u>Assets</u>	
Non-cash Assets from Start-up	\$6,000
Cash Requirements from Start-up	\$6,200
Additional Cash Raised	\$0
Cash Balance on Starting Date	\$6,200
Total Assets	\$12,200
<u>Liabilities and Capital</u>	
<u>Liabilities</u>	
Current Borrowing	\$0
Long-term Liabilities	\$11,000
Accounts Payable (Outstanding Bills)	\$0
Other Current Liabilities (interest-free)	\$0
Total Liabilities	\$11,000
<u>Capital</u>	
<u>Planned Investment</u>	
Owners	\$5,000
Other	\$0
Additional Investment Requirement	\$0
Total Planned Investment	\$5,000
Loss at Start-up (Start-up Expenses)	(\$3,800)
Total Capital	\$1,200
Total Capital and Liabilities	\$12,200
Total Funding	\$16,000

Fescue & Sons Yard Care

7.2 Important Assumptions

The following table highlights some important financial assumptions of Fescue & Sons.

Table: General Assumptions

General Assumptions	FY 2006	FY 2007	FY 2008
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

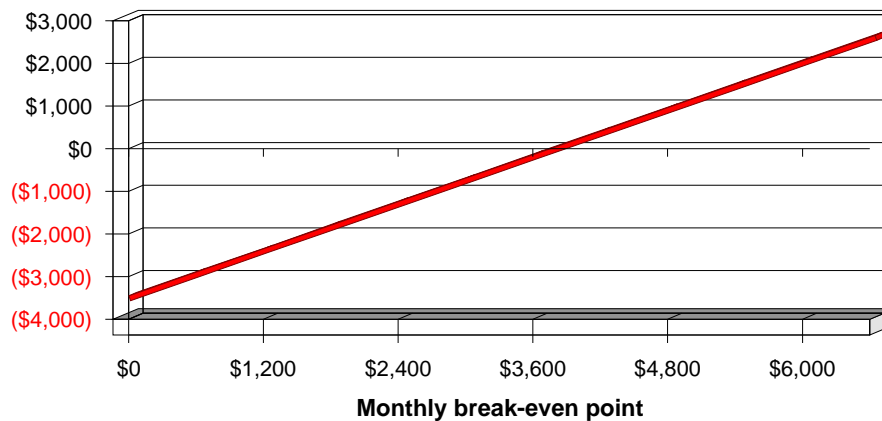
7.3 Break-even Analysis

The Break-even Analysis indicates \$3,830 is needed in monthly revenue to break even.

Table: Break-even Analysis

Break-even Analysis	
Monthly Revenue Break-even	\$3,830
Assumptions:	
Average Percent Variable Cost	8%
Estimated Monthly Fixed Cost	\$3,517

Break-even Analysis



Break-even point = where line intersects with 0

Fescue & Sons Yard Care

7.4 Projected Profit and Loss

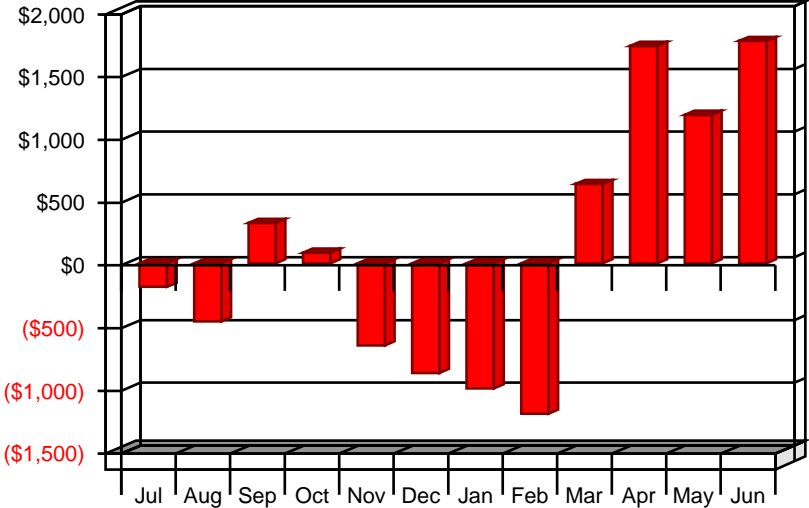
The following table and charts show our projected profit and loss. After paying reasonable salaries, we will make a modest profit in the first year, with increasing profits in future years. Our gross margins will remain around 91 or 92%. Our largest expenses as a service business are payroll and payroll taxes.

Table: Profit and Loss

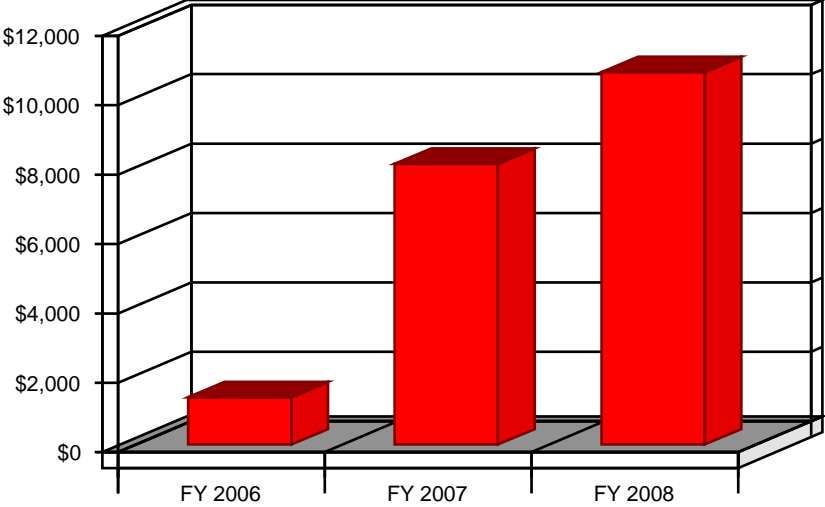
Pro Forma Profit and Loss			
	FY 2006	FY 2007	FY 2008
Sales	\$49,204	\$75,500	\$89,000
Direct Cost of Sales	\$4,022	\$6,110	\$7,220
Other	\$0	\$0	\$0
Total Cost of Sales	\$4,022	\$6,110	\$7,220
Gross Margin	\$45,182	\$69,390	\$81,780
Gross Margin %	91.83%	91.91%	91.89%
Expenses			
Payroll	\$33,500	\$45,000	\$52,500
Marketing/Promotion	\$125	\$200	\$300
Depreciation	\$1,152	\$2,552	\$2,552
Insurance	\$1,200	\$1,200	\$1,200
Licenses + bonded fees	\$1,200	\$1,200	\$1,200
Payroll Taxes	\$5,025	\$6,750	\$7,875
Other	\$0	\$0	\$0
Total Operating Expenses	\$42,202	\$56,902	\$65,627
Profit Before Interest and Taxes	\$2,980	\$12,488	\$16,153
EBITDA	\$4,132	\$15,040	\$18,705
Interest Expense	\$1,040	\$935	\$825
Taxes Incurred	\$582	\$3,466	\$4,599
Net Profit	\$1,358	\$8,087	\$10,730
Net Profit/Sales	2.76%	10.71%	12.06%

Fescue & Sons Yard Care

Profit Monthly

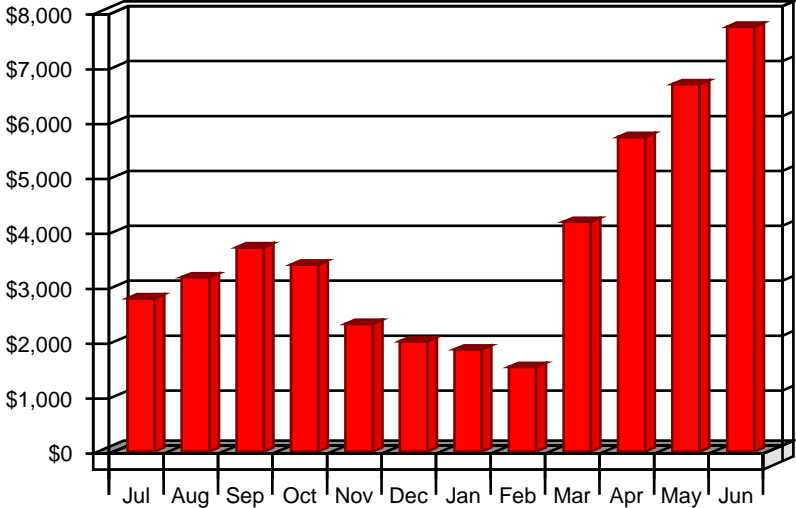


Profit Yearly

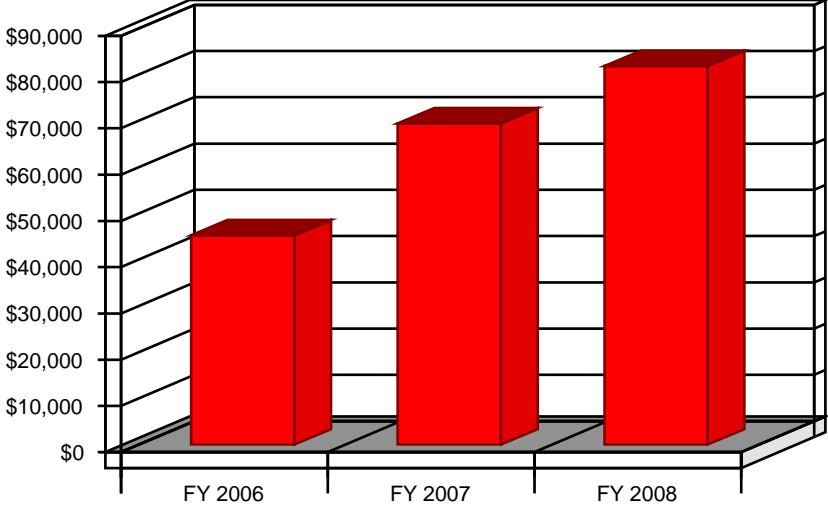


Fescue & Sons Yard Care

Gross Margin Monthly



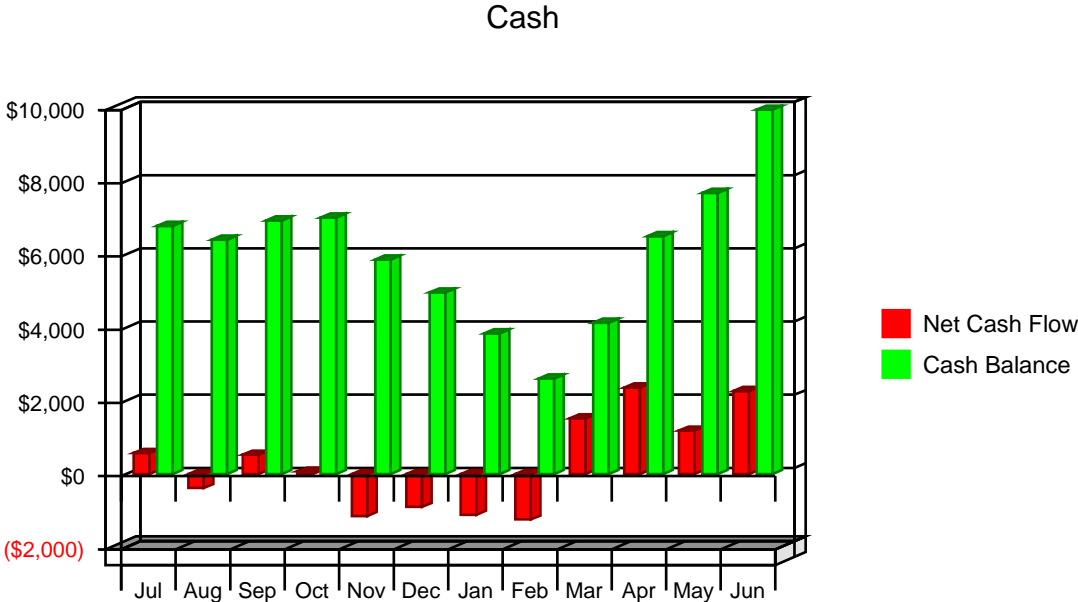
Gross Margin Yearly



Fescue & Sons Yard Care

7.5 Projected Cash Flow

The following chart and table show our projected cash flow. We will repay the loan over ten years (interest payments can be found in the Profit and Loss, above). The table also shows planned purchases of additional equipment as long-term assets in the second fiscal year.



Fescue & Sons Yard Care

Table: Cash Flow

Pro Forma Cash Flow			
	FY 2006	FY 2007	FY 2008
Cash Received			
Cash from Operations			
Cash Sales	\$49,204	\$75,500	\$89,000
Subtotal Cash from Operations	\$49,204	\$75,500	\$89,000
Additional Cash Received			
Sales Tax, VAT, HST/GST Received	\$0	\$0	\$0
New Current Borrowing	\$0	\$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	\$49,204	\$75,500	\$89,000
Expenditures			
Expenditures from Operations			
Cash spending	\$33,500	\$45,000	\$52,500
Bill Payments	\$10,843	\$20,579	\$22,942
Subtotal Spent on Operations	\$44,343	\$65,579	\$75,442
Additional Cash Spent			
Sales Tax, VAT, HST/GST Paid Out	\$0	\$0	\$0
Principal Repayment of Current Borrowing	\$0	\$0	\$0
Other Liabilities Principal Repayment	\$0	\$0	\$0
Long-term Liabilities Principal Repayment	\$1,104	\$1,100	\$1,100
Purchase Other Current Assets	\$0	\$0	\$0
Purchase Long-term Assets	\$0	\$7,000	\$0
Dividends	\$0	\$0	\$0
Subtotal Cash Spent	\$45,447	\$73,679	\$76,542
Net Cash Flow	\$3,757	\$1,821	\$12,458
Cash Balance	\$9,957	\$11,778	\$24,236

Fescue & Sons Yard Care

7.6 Projected Balance Sheet

The following table indicates the projected balance sheet. As we retain earnings and repay the long-term loan, our net worth will increase from \$1,200 at start-up to over \$21,000 by year three.

Table: Balance Sheet

Pro Forma Balance Sheet			
	FY 2006	FY 2007	FY 2008
Assets			
Current Assets			
Cash	\$9,957	\$11,778	\$24,236
Other Current Assets	\$2,500	\$2,500	\$2,500
Total Current Assets	\$12,457	\$14,278	\$26,736
Long-term Assets			
Long-term Assets	\$3,500	\$10,500	\$10,500
Accumulated Depreciation	\$1,152	\$3,704	\$6,256
Total Long-term Assets	\$2,348	\$6,796	\$4,244
Total Assets	\$14,805	\$21,074	\$30,980
Liabilities and Capital			
Current Liabilities			
Accounts Payable	\$2,351	\$1,632	\$1,908
Current Borrowing	\$0	\$0	\$0
Other Current Liabilities	\$0	\$0	\$0
Subtotal Current Liabilities	\$2,351	\$1,632	\$1,908
Long-term Liabilities			
Total Liabilities	\$9,896	\$8,796	\$7,696
Total Liabilities	\$12,247	\$10,428	\$9,604
Capital			
Paid-in Capital	\$5,000	\$5,000	\$5,000
Retained Earnings	(\$3,800)	(\$2,442)	\$5,645
Earnings	\$1,358	\$8,087	\$10,730
Total Capital	\$2,558	\$10,645	\$21,375
Total Liabilities and Capital	\$14,805	\$21,074	\$30,980
Net Worth			
Net Worth	\$2,558	\$10,645	\$21,375

7.7 Business Ratios

The following table outlines some of the more important ratios from the Lawn and Garden Services industry. The final column, Industry Profile, details specific ratios based on the industry as it is classified by the Standard Industry Classification (SIC) code, 0782.

The major difference between our ratios and the industry standard is in gross margin. The Lawn and Garden Service industry is labor intensive, and most businesses include manual labor expenses in their direct cost of sales. As a small, family-owned business without a large staff of workers, I am treating these as operating expenses, instead. If personnel costs are included, our gross margin in the first year falls around 23%, and by year three it is up around 32%, roughly the industry average.

Fescue & Sons Yard Care

Table: Ratios

Ratio Analysis	FY 2006	FY 2007	FY 2008	Industry Profile
Sales Growth	0.00%	53.44%	17.88%	9.12%
Percent of Total Assets				
Other Current Assets	16.89%	11.86%	8.07%	32.14%
Total Current Assets	84.14%	67.75%	86.30%	51.33%
Long-term Assets	15.86%	32.25%	13.70%	48.67%
Total Assets	100.00%	100.00%	100.00%	100.00%
Current Liabilities	15.88%	7.75%	6.16%	25.79%
Long-term Liabilities	66.84%	41.74%	24.84%	24.81%
Total Liabilities	82.72%	49.49%	31.00%	50.60%
Net Worth	17.28%	50.51%	69.00%	49.40%
Percent of Sales				
Sales	100.00%	100.00%	100.00%	100.00%
Gross Margin	91.83%	91.91%	91.89%	32.95%
Selling, General & Administrative Expenses	89.07%	81.20%	79.83%	18.41%
Advertising Expenses	0.00%	0.00%	0.00%	0.34%
Profit Before Interest and Taxes	6.06%	16.54%	18.15%	2.04%
Main Ratios				
Current	5.30	8.75	14.01	1.38
Quick	5.30	8.75	14.01	0.88
Total Debt to Total Assets	82.72%	49.49%	31.00%	62.84%
Pre-tax Return on Net Worth	75.84%	108.53%	71.71%	4.79%
Pre-tax Return on Assets	13.10%	54.82%	49.48%	12.89%
Additional Ratios				
	FY 2006	FY 2007	FY 2008	
Net Profit Margin	2.76%	10.71%	12.06%	n.a
Return on Equity	53.09%	75.97%	50.20%	n.a
Activity Ratios				
Accounts Payable Turnover	5.61	12.17	12.17	n.a
Payment Days	27	37	28	n.a
Total Asset Turnover	3.32	3.58	2.87	n.a
Debt Ratios				
Debt to Net Worth	4.79	0.98	0.45	n.a
Current Liab. to Liab.	0.19	0.16	0.20	n.a
Liquidity Ratios				
Net Working Capital	\$10,106	\$12,645	\$24,827	n.a
Interest Coverage	2.87	13.36	19.59	n.a
Additional Ratios				
Assets to Sales	0.30	0.28	0.35	n.a
Current Debt/Total Assets	16%	8%	6%	n.a
Acid Test	5.30	8.75	14.01	n.a
Sales/Net Worth	19.24	7.09	4.16	n.a
Dividend Payout	0.00	0.00	0.00	n.a

Appendix

Appendix Table: Sales Forecast

Sales Forecast													
		Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Sales													
Yard work/landscaping	0%	\$3,000	\$3,254	\$4,000	\$1,500	\$0	\$0	\$0	\$0	\$2,000	\$6,000	\$7,200	\$8,000
Winter maintenance	0%	\$0	\$0	\$0	\$0	\$1,500	\$2,000	\$1,500	\$500	\$0	\$0	\$0	\$0
Garden Prep/Cleanup	0%	\$0	\$0	\$0	\$2,000	\$1,000	\$0	\$500	\$1,000	\$2,500	\$0	\$0	\$0
Tree Stump Removal	0%	\$0	\$250	\$0	\$250	\$0	\$250	\$0	\$250	\$0	\$250	\$0	\$500
Total Sales		\$3,000	\$3,504	\$4,000	\$3,750	\$2,500	\$2,250	\$2,000	\$1,750	\$4,500	\$6,250	\$7,200	\$8,500
Direct Cost of Sales													
Yards/Winter Maint/Gardens	7%	\$210	\$228	\$280	\$245	\$175	\$140	\$140	\$105	\$315	\$420	\$504	\$560
Other	40%	\$0	\$100	\$0	\$100	\$0	\$100	\$0	\$100	\$0	\$100	\$0	\$200
Subtotal Direct Cost of Sales		\$210	\$328	\$280	\$345	\$175	\$240	\$140	\$205	\$315	\$520	\$504	\$760

Appendix

Appendix Table: Personnel

Personnel Plan		Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Red	0%	\$2,000	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500
Rye	0%	\$300	\$500	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$500
Landscaper	0%	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,500	\$1,200
Total People		2	2	1	1	1	1	1	1	1	1	2	3
Total Payroll		\$2,300	\$3,000	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$4,000	\$4,200

Appendix

Appendix Table: Profit and Loss

Pro Forma Profit and Loss												
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Sales	\$3,000	\$3,504	\$4,000	\$3,750	\$2,500	\$2,250	\$2,000	\$1,750	\$4,500	\$6,250	\$7,200	\$8,500
Direct Cost of Sales	\$210	\$328	\$280	\$345	\$175	\$240	\$140	\$205	\$315	\$520	\$504	\$760
Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Cost of Sales	\$210	\$328	\$280	\$345	\$175	\$240	\$140	\$205	\$315	\$520	\$504	\$760
Gross Margin	\$2,790	\$3,176	\$3,720	\$3,405	\$2,325	\$2,010	\$1,860	\$1,545	\$4,185	\$5,730	\$6,696	\$7,740
Gross Margin %	93.00%	90.65%	93.00%	90.80%	93.00%	89.33%	93.00%	88.29%	93.00%	91.68%	93.00%	91.06%
Expenses												
Payroll	\$2,300	\$3,000	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$4,000	\$4,200
Marketing/Promotion	\$25	\$0	\$0	\$25	\$0	\$0	\$25	\$0	\$25	\$0	\$25	\$0
Depreciation	\$96	\$96	\$96	\$96	\$96	\$96	\$96	\$96	\$96	\$96	\$96	\$96
Insurance	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100
Licenses + bonded fees	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100
Payroll Taxes	15% \$345	\$450	\$375	\$375	\$375	\$375	\$375	\$375	\$375	\$375	\$600	\$630
Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Operating Expenses	\$2,966	\$3,746	\$3,171	\$3,196	\$3,171	\$3,171	\$3,196	\$3,171	\$3,196	\$3,171	\$4,921	\$5,126
Profit Before Interest and Taxes	(\$176)	(\$570)	\$549	\$209	(\$846)	(\$1,161)	(\$1,336)	(\$1,626)	\$989	\$2,559	\$1,775	\$2,614
EBITDA	(\$80)	(\$474)	\$645	\$305	(\$750)	(\$1,065)	(\$1,240)	(\$1,530)	\$1,085	\$2,655	\$1,871	\$2,710
Interest Expense	\$91	\$90	\$89	\$89	\$88	\$87	\$86	\$86	\$85	\$84	\$83	\$82
Taxes Incurred	(\$80)	(\$198)	\$138	\$36	(\$280)	(\$374)	(\$427)	(\$513)	\$271	\$743	\$508	\$759
Net Profit	(\$187)	(\$462)	\$322	\$84	(\$654)	(\$874)	(\$996)	(\$1,198)	\$633	\$1,733	\$1,184	\$1,772
Net Profit/Sales	-6.23%	-13.18%	8.04%	2.25%	-26.15%	-38.83%	-49.78%	-68.46%	14.07%	27.72%	16.45%	20.85%

Appendix

Appendix Table: Cash Flow

Pro Forma Cash Flow												
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Cash Received												
Cash from Operations												
Cash Sales	\$3,000	\$3,504	\$4,000	\$3,750	\$2,500	\$2,250	\$2,000	\$1,750	\$4,500	\$6,250	\$7,200	\$8,500
Subtotal Cash from Operations	\$3,000	\$3,504	\$4,000	\$3,750	\$2,500	\$2,250	\$2,000	\$1,750	\$4,500	\$6,250	\$7,200	\$8,500
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	\$0	\$0	\$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	\$3,000	\$3,504	\$4,000	\$3,750	\$2,500	\$2,250	\$2,000	\$1,750	\$4,500	\$6,250	\$7,200	\$8,500
Expenditures												
Expenditures from Operations												
Cash spending	\$2,300	\$3,000	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$4,000	\$4,200
Bill Payments	\$26	\$793	\$877	\$1,082	\$1,053	\$557	\$523	\$398	\$383	\$1,293	\$1,921	\$1,937
Subtotal Spent on Operations	\$2,326	\$3,793	\$3,377	\$3,582	\$3,553	\$3,057	\$3,023	\$2,898	\$2,883	\$3,793	\$5,921	\$6,137
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	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other Liabilities Principal Repayment	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Long-term Liabilities Principal Repayment	\$92	\$92	\$92	\$92	\$92	\$92	\$92	\$92	\$92	\$92	\$92	\$92
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	\$0
Subtotal Cash Spent	\$2,418	\$3,885	\$3,469	\$3,674	\$3,645	\$3,149	\$3,115	\$2,990	\$2,975	\$3,885	\$6,013	\$6,229
Net Cash Flow	\$582	(\$381)	\$531	\$76	(\$1,145)	(\$899)	(\$1,115)	(\$1,240)	\$1,525	\$2,365	\$1,187	\$2,271
Cash Balance	\$6,782	\$6,400	\$6,931	\$7,007	\$5,863	\$4,964	\$3,849	\$2,609	\$4,134	\$6,499	\$7,686	\$9,957

Appendix

Appendix Table: Balance Sheet

Pro Forma Balance Sheet													
Assets	Starting Balances	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Current Assets													
Cash	\$6,200	\$6,782	\$6,400	\$6,931	\$7,007	\$5,863	\$4,964	\$3,849	\$2,609	\$4,134	\$6,499	\$7,686	\$9,957
Other Current Assets	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500
Total Current Assets	\$8,700	\$9,282	\$8,900	\$9,431	\$9,507	\$8,363	\$7,464	\$6,349	\$5,109	\$6,634	\$8,999	\$10,186	\$12,457
Long-term Assets													
Long-term Assets	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500
Accumulated Depreciation	\$0	\$96	\$192	\$288	\$384	\$480	\$576	\$672	\$768	\$864	\$960	\$1,056	\$1,152
Total Long-term Assets	\$3,500	\$3,404	\$3,308	\$3,212	\$3,116	\$3,020	\$2,924	\$2,828	\$2,732	\$2,636	\$2,540	\$2,444	\$2,348
Total Assets	\$12,200	\$12,686	\$12,208	\$12,643	\$12,623	\$11,383	\$10,388	\$9,177	\$7,841	\$9,270	\$11,539	\$12,630	\$14,805
Liabilities and Capital													
Current Liabilities													
Accounts Payable	\$0	\$764	\$841	\$1,046	\$1,034	\$539	\$510	\$386	\$340	\$1,229	\$1,857	\$1,856	\$2,351
Current Borrowing	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other Current Liabilities	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal Current Liabilities	\$0	\$764	\$841	\$1,046	\$1,034	\$539	\$510	\$386	\$340	\$1,229	\$1,857	\$1,856	\$2,351
Long-term Liabilities													
Total Liabilities	\$11,000	\$10,908	\$10,816	\$10,724	\$10,632	\$10,540	\$10,448	\$10,356	\$10,264	\$10,172	\$10,080	\$9,988	\$9,896
Capital													
Paid-in Capital	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000
Retained Earnings	(\$3,800)	(\$3,800)	(\$3,800)	(\$3,800)	(\$3,800)	(\$3,800)	(\$3,800)	(\$3,800)	(\$3,800)	(\$3,800)	(\$3,800)	(\$3,800)	(\$3,800)
Earnings	\$0	(\$187)	(\$649)	(\$327)	(\$243)	(\$896)	(\$1,770)	(\$2,766)	(\$3,964)	(\$3,331)	(\$1,598)	(\$414)	\$1,358
Total Capital	\$1,200	\$1,013	\$551	\$873	\$957	\$304	(\$570)	(\$1,566)	(\$2,764)	(\$2,131)	(\$398)	\$786	\$2,558
Total Liabilities and Capital	\$12,200	\$12,686	\$12,208	\$12,643	\$12,623	\$11,383	\$10,388	\$9,177	\$7,841	\$9,270	\$11,539	\$12,630	\$14,805
Net Worth	\$1,200	\$1,013	\$551	\$873	\$957	\$304	(\$570)	(\$1,566)	(\$2,764)	(\$2,131)	(\$398)	\$786	\$2,558