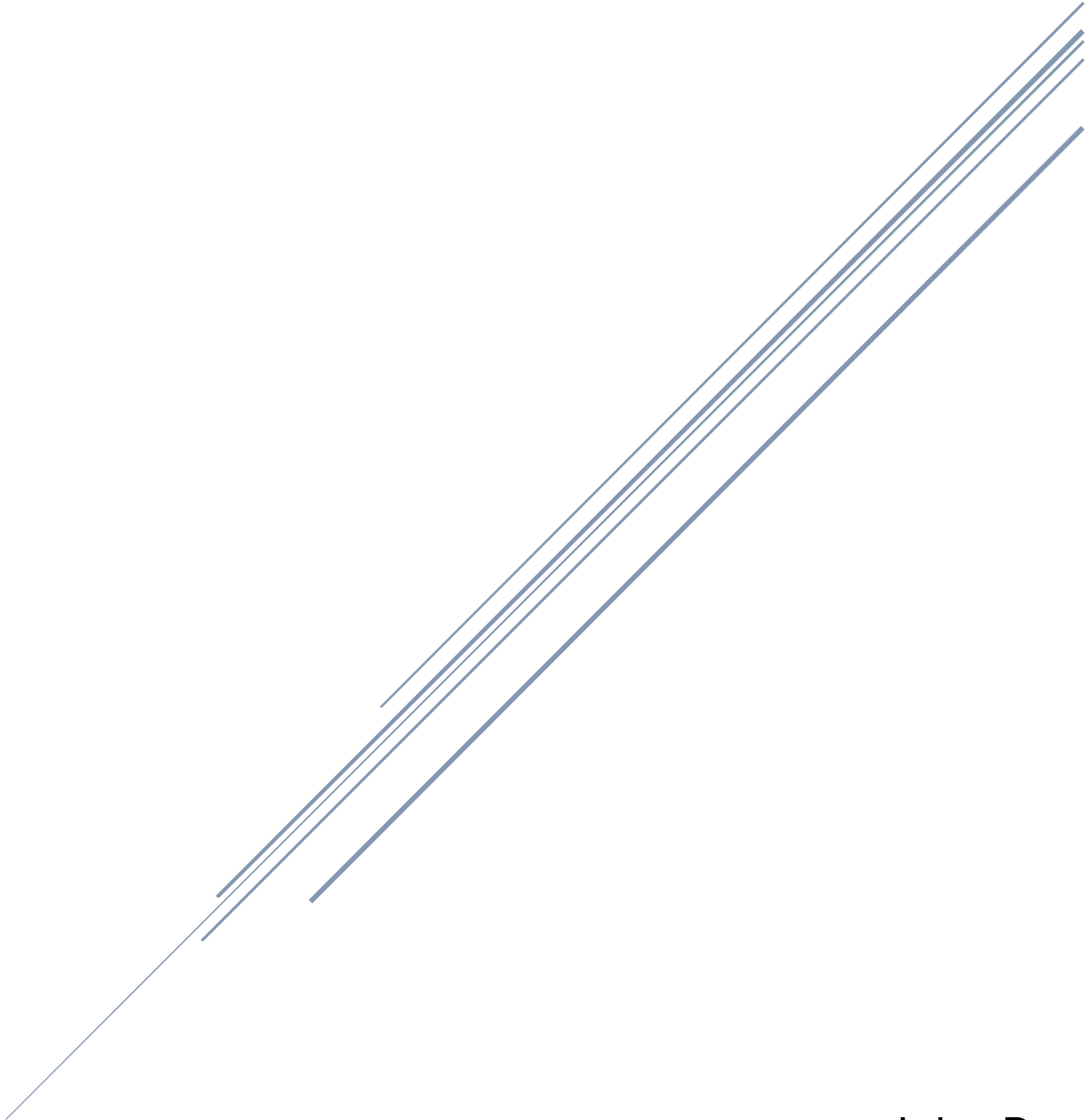


# **Rainbow Siding**

*Business Plan*



John Doe  
Centerville, Utah

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Appendix A – Maps (not included)  
 Appendix B – Letter from Center City Exteriors (not included)

## **Executive Summary**

### **Business Rationale**

Vinyl siding is popular among homeowners and is a growing industry. In Centerville and the surrounding area, wood siding has dominated the market, but things are changing. Because of high wood prices and maintenance time and costs, vinyl siding is gaining a niche here too. Rainbow Siding is a start-up business poised to meet this increased demand. Rainbow Siding will provide a customer-oriented service by using high-grade products and professional installation practices provided by a skilled carpenter, all at prices below those offered by the only other local competitor and lower than out-of-area competitors.

### **Qualifications**

I have 14 years of experience in the building industry including 10 years as a union carpenter and 4 years as a non-union carpenter running my own home-improvement business. I have installed all types of siding including vinyl, cedar, T-11, cement board, and composite. I developed skills for bookkeeping and tracking receivables and inventory during my time running a home-improvement business.

### **Financial Information**

I estimate needing a loan of \$10,000 to purchase tools, capital equipment, small equipment, supplies, and siding for the show house, my main source of advertising. I co-own both the show-house and home where the office and storage facilities will be located. I own a 4-wheel drive pickup that will be used as the company's primary vehicle.

Year 1 expenses are estimated at \$111,639 (\$35,814 in fixed and \$75,825 in variable operating costs) and revenues are estimated at \$116,400, based on 21 jobs. First year sales are based on siding 24 buildings, which is approximately 0.5% of the homes and businesses in the county, for a net profit of \$4,761. Year 2 expenses are estimated at \$137,969 (\$31,814 in fixed and \$106,155 in variable operation costs) and revenues are estimated at \$169,750, based on 35 jobs. Year 2 profit is estimated at \$31,781.

## **Business Description**

### **Company Description**

Rainbow Siding will sell and install vinyl siding for homes and businesses in the Centerville area. I will operate year-round, doing installations in winter when the weather is good and work on marketing when the weather is too bad to work outside. I also plan to eventually offer gutter installation, once the business is well established.

### **Business History**

A 2013 Vinyl Institute report (*Vinyl Siding Faces a Bright Future*) says that the U.S. siding industry is growing. No businesses currently sell or install vinyl siding full-time in the Centerville area.

I was a carpenter for 14 years and managed my own home improvement business. I've trained myself to do quality vinyl siding installation, and have installed siding on 10 different homes so far, including my own. My customers were very pleased with my work and my professionalism, and my friend, who installs vinyl siding in another state, confirmed that I have good technique.

### **Form of Ownership**

I will own this business as a sole proprietorship.

### **Industry Trends**

Nationwide, 46% of new homes are sided with vinyl siding, 30% with cement board, 12% with wood composite, and 10% with brick. When homeowners re-side older homes, more than three-quarters of them use vinyl. The Valley County Builders' Association told me an average of 122 new homes are built in Valley county each year. Over the next six years they also think new home construction will increase 5% each year. On July 23, 2015, I talked with Anne Falworth, the Association's director, and she estimated that about 90 homes and businesses are remodeled each year. These remodels often include installing new siding.

### **Owner Background Information**

I have 10 years of experience as a union carpenter and 4 years of experience as a non-union carpenter (including the four years running my own home improvement business). I've installed all types of siding (vinyl, cedar, T-11, cement board, composite, etc.), including siding my own house with vinyl. Knowing that vinyl siding was getting more popular, I did some research on starting my own installation business. I'm convinced that this is a good opportunity and that my experience and skills will help me be successful.

The Vinyl Institute has a series of professional development courses, including one on becoming a general contractor and one on architectural design for siding contractors. The training gets to be expensive, though, when you add in travel costs and lost work time. Sometimes these courses are offered in Center City and I'll watch for convenient opportunities to take either of them.

Experience running my own home improvement business will help with day-to-day management of my business. I am familiar with estimating bids, tracking receipts and inventory, and business bookkeeping.

## **Marketing Plan**

### **Features and Benefits**

Vinyl siding is good-looking, economical and maintenance-free. It doesn't rot, resists moisture, withstands temperature extremes, is non-toxic to humans and animals, and can be insulated. It's cheaper than other siding materials and is more durable than wood. It doesn't need to be painted and if it gets damaged, it's easy to replace a section. Jim Howell of Howell Appraisal Services says that vinyl siding increases a home's resale value. A good-looking property is easier to sell and the home-seller can take a tax deduction on the cost of siding.

I'll start with selling and installing vinyl siding, soffits, and fascia covers for new homes, older homes and businesses. Later, I plan to sell seamless aluminum gutters, which will withstand Valley County's winters. I'll offer a warranty on all work and will use top quality tools and state-of-the-art installation techniques, such as using a braking tool to bend fascia metal.

### **Business Name**

I selected Rainbow Siding as my business name because people usually think of a rainbow as pretty, colorful, and are happy to see one. It is something refreshing after a rainstorm when the sun shines. I relate it to my business in that using my product and services, people will be refreshed, their home or building will be shinier than before, and they will be happy with the results. I included "Siding" in the name so people don't mistake it with other businesses using the word rainbow, such as Rainbow Childcare. I checked to see if the name is in use elsewhere in the county and wider business area, especially by a siding company. It is not in use.

When I add gutters to my offerings, I will change the name to Rainbow Siding and Gutters.

### **Target Market**

At first, I'll market to people who are building, remodeling, or selling homes or businesses in Centerville (population of 5,500), Mayberry (population of 1,000, 18 miles from Centerville), Summerville (population of 4,000, 35 miles from Centerville), and Weaverville (population of 2,200, 45 miles from Centerville). As my business grows I may be able to compete in more distant cities like Riverdale (population of 5,200), which is 80 miles from Centerville. The Valley County Association of Realtors director estimates that there are 5,550 individual homes and 300 business buildings in the cities of Centerville, Mayberry, Summerville, and Weaverville. This number includes homes located in the more rural areas surrounding the cities. In total, Valley County has a population of 17,500.

Many of these 5,500 homes are older and have wood siding that might be due for replacement. About 300 properties currently are for sale — if the owners would install vinyl siding, their properties might sell faster. If only 2% of the 5,550 homes and businesses installed vinyl siding each year, and if I got only a quarter of those jobs, that would be 28

siding jobs each year. If I could also get a quarter of the new construction siding jobs, that would be 14 more jobs each year for a total of 42 jobs.

## Competition

From researching siding contractors on the internet, I have found that Glimmer Glass in Centerville sells and installs siding as a small part of its business. Slambam Contracting, located in Mayberry, is the only full-time, full-service vinyl siding sales and installation company in the area. Other than those two companies, residents of Centerville, Mayberry, Summerville, and Weaverville have to do business with companies located outside the area like North County Siding, 80 miles away. I have conducted informal interviews using open-ended questions with several building contractors, my banker, and the owner of Centerville Building Supply – they all say that each of these companies keeps busy installing siding.

I have looked at some of the marketing practices used by each business and it appears that North County Siding markets more aggressively than other companies. I learned through interviews with contractors that North County Siding bids on more projects than the other businesses, and consequently, gets most of the new home construction jobs here. However, interviews with contractors and some past North County Siding customers willing to talk to me, indicated North County Siding has a reputation for delays and slow warranty service due to the distance they have to travel from their headquarters.

In my previous dealings with Glimmer Glass, I was impressed by how they managed their business (they have timely service, good communication, fair prices, and standing behind their work). But in talking with them about their product line and doing some online research, I found they use just one vinyl siding manufacturer, which limits their range of vinyl siding styles and colors. Also, their employees aren't trained specifically to do vinyl siding and don't have the equipment to do a really quality installation. After my business gets off the ground, I might approach John Dilbeck, Glimmer Glass's owner, about buying out his vinyl siding operation.

Slambam Contracting is a one-person operation with a reputation for high prices and customer complaints. I learned this by stopping by homes that Slambam had sided in the past and conducted an informal interview (more of a conversation, really) with anyone who would talk to me about their experience. I learned that at least two homeowners were dissatisfied enough to file a complaint with the State Department of Commerce. In addition, I have observed that Slambam doesn't have a website. Its main form of advertising is in each town's small newsletter/gossip newspaper placed mainly at restaurants in Mayberry.

I know I can compete with these businesses because I have 14 years of experience in building. I've done my research and I've trained myself to do quality vinyl siding installation. I'll offer a warranty on all work and will use top quality tools and state-of-the-art installation techniques, such as using a braking tool to bend fascia metal.

The local rate for vinyl siding sales and installation is \$385 per square – which is a lot higher than the regional industry standard of \$210 per square. I think I can do top quality work and still charge closer to the lower industry standard rates.

## **Advertising and Promotion Strategies**

The show house on U.S. Highway 1761 will be one of my advertising strategies. I plan to have a brightly-colored sign that says “Rainbow Siding” commercially made for the front yard. Every day people driving by will be reminded of how good quality vinyl siding can look. Potential customers can stop to inspect the materials and workmanship of the installation. The show house is on a busy street in a block that originally was company housing for the sawmill company. The other houses on the block are old and run-down and the show house with its new siding will look especially good compared to the others. I have an agreement with the current renters that reduces the rental rate by allowing me to advertise and show the house as an example of my work.

I’ll also develop a website, brochure, and business cards. The website will describe what I do, my background, provide directions to the show house, contain information about my services, and my contact information. As my business grows, it will show photos of my work with customer reviews, and include information about gutters. I plan to purchase ads in the local newspaper and on the TV station. To evaluate the effectiveness of advertising methods, I will ask people how they heard about me. I’ll also personally hand out business cards to people I meet. I will contact local restaurants to obtain permission to hang flyers. I’ll notify each of Valley County’s real estate agents about my quality services and fair prices, and give them my business cards to hand out for referrals. I’ll also ask Center City Exteriors (my vinyl siding producer) about cooperating on a reduced-price special for five customers who are willing to serve as demonstration sites for the first two years. I will place a sign advertising my business saying something like “Siding by Rainbow Siding” in their yards for the two year period.

I think one of the cheapest and most effective advertising strategies will be from satisfied customers who tell others that I do good work, finish it on time, and charge a fair price.



## **Operations Plan**

### **Facilities**

Rainbow Siding will be run out of my home office at 410 Cleary Street in Centerville. I'll store materials in my shop/outbuilding located on this property. I will also have a show house on U.S. Highway 1761 at the west edge of Centerville where prospective customers can view a siding installation.

I own these properties jointly with Barb Brown through a limited partnership agreement with right of survivorship. If one of us wants to terminate this ownership agreement, he or she has to give at least two years' advance notice. We own the show house outright (estimated current value \$153,000) and pay \$430 monthly with a balance of \$37,800 for the Cleary Street house (estimated current value \$195,000). Maps showing the location of each are in Appendix A.

The show house is 50 years old, 1500 square feet with a wood frame, a sound foundation, and a new roof (replaced 2012). The wood windows and siding are structurally sound but pretty weathered – adding vinyl siding will make a big difference in how the house looks. Replacing trim and siding should run about \$2,750. The house has off-street parking for four vehicles. The yard is small and well-maintained. The Rainbow Siding sign will attract people to stop for a closer look at the house. We lease the house out and the tenants have agreed to be courteous to potential customers, to maintain the yard, and shovel the walks and driveway in exchange for reduced rent.

Although I expect to meet most customers at the show house or at their own properties, I will maintain an office space and store a work truck, tools, and materials at the Cleary Street house, where in addition to a garage, I have built a large shop/outbuilding that is 24x40' (960 square feet). It is located on a quiet, easy-to-find street with lots of parking. The office space has its own separate outside entrance and is 250 square feet consisting of two rooms and a small bathroom. My home/office is in a residential zone, which limits customer traffic. Ben Nelson, the Centerville City Planner, says there shouldn't be any problem operating a business here as long as customer traffic doesn't exceed 1-2 business customers per day during normal business hours, there isn't any excessive noise, and the grounds are kept clean. If the business grows to the point where zoning is a problem, I will relocate my office.

The shop/outbuilding is weather-tight and has electricity, concrete floor, and good automatic doors. The office and shop/outbuilding could use some improvements such as fresh carpet in the office and storage racks in the shop/outbuilding, but I can easily run the business out of them without making any changes.

### **Licenses, Permits, Insurance, Taxes**

I've registered Rainbow Siding's name with the Secretary of State's office. I will use my Social Security number for federal and state taxes. After I've got my financing, I'll apply for a

Centerville business license and a state sales tax license. I have been told that the Centerville business license approval process takes about one week.

Legally I don't need a contractor's license, but I'll get one anyway because the bonding company charges much higher rates if you're not licensed. It will take a few months to get the license because I'll have to record my experience, provide letters of reference, and get bonding. With all my experience, I shouldn't have any problem qualifying for a contractor's license. The license costs \$50 per year and bonding is \$480 year.

Building permits are required for all remodeling or new construction within the city limits of Centerville and Summerville. Although the property owner is technically responsible for getting the permit, the contractor is more familiar with the process and usually does the actual legwork, then passes the expense on to the customer. Because of my experience as a builder, I know the process for getting the permits and will make sure I work with each customer to make sure we have the right permits.

I have allocated \$1,080 over the year to cover truck repairs and maintenance. My total insurance costs will be \$400 per year, and include: Business insurance to cover materials and tools stored when I am not working and while at work; insurance for both homes, which covers my home office and shop/outbuilding; liability coverage; and truck insurance. I estimate my total federal, state, and sales taxes will total \$6,000 for the first year.

## **Inputs**

My major inputs will be vinyl siding and soffit materials and compatible metal fascia. Center City Exteriors (150 miles from Centerville) produces high-quality products and delivers to Centerville weekly. It offers generous short-term credit for new contractors, so I can buy materials before I have any incoming cash. The sales representative provided a letter, which states that if I submit a satisfactory written business plan and have funding from a reputable lender, the company will carry 80% of my materials purchases for up to six months on each purchase at only 5% interest. They guarantee these terms for two years and might extend them if I have a good payment record. I've enclosed a copy of their letter in Appendix B.

I looked into several vinyl siding producers in the Big City area, including Aquarius Supply, which produces high-end products for architect-designed homes and businesses. Although wholesale prices tend to be lower in Big City, shipping charges bring the costs to about the same as Center City Exteriors.

I'll get my tools and other materials at Centerville Building Supply, Inland Tools in Riverdale, and through mail order catalogs. Bogart's Garage in Centerville will repair and maintain my company pickup truck.

## **Capital Expenditures**

I'll need \$4,250 for start-up equipment. I'll use my 1998 Chevy ¾ ton, four-wheel drive pickup truck as Rainbow Siding's primary vehicle. The truck's current value is \$6,500 and I'll base depreciation on that amount. I've provided two equipment lists. Table 1 is the Supplies

Equipment List, which are supplies that will be treated as current expenses allowed by Section 179 of the IRS depreciation rules. Table 2 is the Capital Equipment List, which lists capital equipment that is subject to depreciation.

| <b>Table 1: Supplies Equipment List</b> |                 |                            |                |
|---|-----------------|----------------------------|----------------|
| <b>Item</b>                             | <b>Cost</b>     | <b>Supplier</b>            | <b>Purpose</b> |
| Weather Guard ladder forks              | \$4.00          | Centerville Supply         | Safety device  |
| Utility knife                           | \$8.00          | Centerville Supply         | Basic tool     |
| Stanley aviation snips                  | \$20.00         | Gardiner Mail Order        | Specialty tool |
| Malco duckbill snips                    | \$17.00         | Gardiner Mail Order        | Specialty tool |
| Stanley hacksaw                         | \$24.00         | Centerville Supply         | Basic tool     |
| Stanley 25' tape                        | \$17.00         | Centerville Supply         | Basic tool     |
| Stanley 100' tape                       | \$39.00         | Centerville Supply         | Basic tool     |
| Stanley 4' level                        | \$24.00         | Centerville Supply         | Basic tool     |
| Stanley chalk line                      | \$14.00         | Centerville Supply         | Basic tool     |
| Stanley 20 oz hammer                    | \$28.00         | Centerville Supply         | Basic tool     |
| Stanley bevel                           | \$17.00         | Centerville Supply         | Basic tool     |
| Stanley apron                           | \$32.00         | Centerville Supply         | Basic tool     |
| Stanley suspenders                      | \$13.00         | Centerville Supply         | Basic tool     |
| Malco HP removal tool<br>#SRT2B         | \$4.00          | Gardiner Mail order        | Specialty tool |
| Malco nail slot punch                   | \$26.00         | Gardiner Mail order        | Specialty tool |
| Malco snap lock punch                   | \$29.00         | Big City Industrial Supply | Specialty tool |
| Topco Pro sawhorses                     | \$40.00         | Big City Industrial Supply | Basic tool     |
| Misc small tools                        | \$623.00        |                            |                |
| <b>Total</b>                            | <b>\$979.00</b> |                            |                |

| <b>Table 2: Capital Equipment List</b>          |                   |                                   |                                     |
|---|-------------------|-----------------------------------|-------------------------------------|
| <b>Item</b>                                     | <b>Cost</b>       | <b>Supplier</b>                   | <b>Purpose</b>                      |
| Tapco Pro III 10'-6" brake with legs            | \$875.00          | Big City Industrial Supply        | Makes uniform bends in fascia metal |
| Folding legs for Pro III brake                  | \$43.00           | Big City Industrial Supply        | Moving the brake tool               |
| Topco Pro coiler                                | \$110.00          | Big City Industrial Supply        | Coiling things                      |
| Tapco Pro cutoff tool                           | \$240.00          | Big City Industrial Supply        | High production cutting             |
| Skill saw                                       | \$160.00          | Centerville Supply                | Basic carpentry tool                |
| Kitt electric shear E141                        | \$230.00          | Big City Industrial Supply        | High production material cutting    |
| Werner 28' aluminum extension ladder            | \$479.00          | Pleasantville Commercial Painting | Basic work platform                 |
| Werner ladder jacks                             | \$87.00           | Pleasantville Commercial Painting | Basic work platform                 |
| Werner 23' scaffold planks                      | \$408.00          | Pleasantville Commercial Painting | Basic work platform                 |
| Werner 16' scaffold planks                      | \$253.00          | Pleasantville Commercial Painting | Basic work platform                 |
| Werner 8' step ladder                           | \$122.00          | Pleasantville Commercial Painting | Basic work platform                 |
| Pump jack with brace, workbench, and guard pull | \$264.00          | Big City Industrial Supply        | Support and move work platform      |
| <b>Total</b>                                    | <b>\$3,271.00</b> |                                   |                                     |

## Fixed Operating Costs

My fixed costs for the first year are projected to be \$7,027 for the first month then \$2,617 for months 2 through 12. As shown in Table 3, I plan to draw a salary of \$1,500 per month.

| Item                      | First month       | Months 2-12       |
|---------------------------|-------------------|-------------------|
| Advertising               | \$80.00           | \$25.00           |
| Dues/Subscriptions        | \$36.00           | \$0.00            |
| Insurance                 | \$37.00           | \$33.00           |
| Truck Expenses            | \$90.00           | \$90.00           |
| Miscellaneous             | \$50.00           | \$50.00           |
| Office Supplies           | \$20.00           | \$20.00           |
| Printing Cards and Flyers | \$25.00           | \$10.00           |
| Professional Services     | \$25.00           | \$25.00           |
| Taxes/Licenses            | \$550.00          | \$500.00          |
| Telephone                 | \$85.00           | \$85.00           |
| Travel                    | \$80.00           | \$80.00           |
| Bonding                   | \$40.00           | \$40.00           |
| Loan Payment              | \$159.00          | \$159.00          |
| Capital expenditures      | \$4,250.00        | \$0.00            |
| Owner Draw                | \$1,500.00        | \$1,500.00        |
| <b>Totals</b>             | <b>\$7,027.00</b> | <b>\$2,617.00</b> |

## Variable Operating Costs

My variable costs consist of the materials to side a home. The total materials cost per average job is roughly \$3,033 based on the following calculations for a 2,000 square foot (50' x 40'), single story house with a typical number of windows and doors, and standard exterior trim. This house would take approximately 14 squares of siding (one square = 100 ft.), 200 lineal feet of soffit, and 180 lineal feet of fascia metal.

| Item   | Amount          | Cost     | Total             |
|--|-----------------|----------|-------------------|
| Siding   | 14 squares      | \$125.00 | \$1,750.00        |
| Soffit   | 200 feet        | \$1.38   | \$276.00          |
| Fascia metal                                   | 180 feet        | \$1.15   | \$207.00          |
| Miscellaneous materials (glue, nails, cleanup) | 14 squares      | \$37.50  | \$525.00          |
| <b>Subtotal</b>                                |                 |          | <b>\$2,758.00</b> |
| Contingency                                    | 10% of subtotal |          | \$275.00          |
| <b>Total</b>                                   |                 |          | <b>\$3,033</b>    |

## **Production Methods**

I'll begin by meeting with the customer to talk about the project and show samples. After the customer decides to proceed, I'll go to their site to take measurements and see how complicated the job is. We will agree on siding style and preferred color. Then, back at the office, I'll estimate the cost. If the customer decides to go ahead with the job, I will develop a contract that all involved parties will sign and the customer will pay me 1/3 of the agreed-upon cost. I will then order materials, and recommend to the customer that he or she buy 200' or more of extra siding material so the color and style will match if the siding ever gets damaged. Based on the materials arrival time, I'll schedule the work.

The manufacturer guarantees against defects in the product, and I will provide an additional warranty on any problems due to the way I've installed the siding. The Vinyl Institute has a model installation warranty that specifies a time period and lists defects that might be caused by improper installation, and I will base my additional warranty on this model.

With the capital equipment outlined in this plan, I should be able to complete most average-size siding jobs by myself. According to the Vinyl Institute a typical job takes 1 to 1.5 weeks for installation. I can move all the ladders and scaffold planks alone. Vinyl siding is very light-weight – there are tools that hold it in place while it's being fastened that make a second person unnecessary. Having another installer would make the work go faster because I wouldn't have to be moving these tools and equipment around, and sometimes we could be working on different parts of the job at the same time. When the business takes off, I'll hire some help, but during start up, it will be more cost-effective to work more slowly by myself since I have the time. If there is any delay or any kind of problem, I'll tell the customer and explain the reasons.

## **Management Methods**

Customer service is number one with me. I'll do my best to get the customer's desired style and color at a fair price. I'll schedule estimates and installation at the customer's convenience, and fix any problem that isn't the customer's fault, with no questions asked. My normal business hours will be 8 a.m. to 5 p.m., Monday through Friday. During that time, I'll either take calls in my office or I'll check my voice mail frequently and return every call on my cell phone within two hours.

I'll bill customers for one-third in advance, one-third when the job is half completed, and the final third when the work is done. For small jobs that can be done in only a few days, I'll take one-third in advance and the final two-thirds on completion. I'll try to negotiate payment terms for any bill still unpaid after 90 days, but if that fails, I'll turn over the balance to a collection agency.

When I operated my home improvement business, I did a good job of managing day-to-day activities. I set priorities and made accurate estimates for scheduling. I did the daily accounting but had Dot's Bookkeeping prepare annual income tax returns. If at a later date Rainbow Siding hires employees, I will hire Dot's Bookkeeping to do the payroll.

**Employees and Contracted Services**

I don't expect to hire any permanent employees for at least the first two years I'm in business. If I do need help during that time, I'll get temporary labor from Cleary Manpower, a local labor contractor. These would be low-skill, low-wage workers and I wouldn't be responsible for benefits or payroll taxes. Centerville Industries recently laid-off a lot of workers with manual skills, so there's no shortage of help.

I can do my own day-to-day accounting, but I'll have Dots' Bookkeeping do my income taxes. Thornton Marshall has been my attorney for nearly 15 years and he'll provide any legal services I need. I will use the services of a collection agency if necessary.

## **Financial Plan**

### **Need for and Sources of Cash**

I have projected that I will need \$10,000 total to start my business. \$4,250 is needed to purchase capital equipment and supplies; \$2,750 to complete renovations on the show house; and \$3,000 for a working capital fund (see Table 5: Cash Needs). In addition, I have \$5,000 in a savings account that I will use to cover expenses during business start-up when I don't earn enough revenue to cover my costs.

| <b>Table 5: Cash Needs</b> |                    |   |
|----------------------------|--------------------|---|
| <b>Cash Needed</b>         | <b>Amount</b>      | <b>Comments</b>                               |
| Pre-Purchased Inventory    | \$0.00             | Inventory will be ordered on credit as needed |
| Capital Equipment          | \$3,271.00         | See Table 2                                   |
| Equipment, Supplies        | \$979.00           | See Table 1                                   |
| Renovations                | \$2,750.00         | Show house siding                             |
| <b>Total Cash Needed</b>   | <b>\$10,000.00</b> |   |

### **Break-Even Analysis**

The Vinyl Institute's estimating guidelines say the average-size siding job in the rural parts of our region is a single-story, 2,000 square-foot (40' x 50') house. A house this size, with the average number of doors and windows, and standard exterior trim, requires roughly 14 squares (square = 100 sq. feet) of siding, 200 lineal feet of soffit, and 180 lineal feet of fascia metal.

The current delivered wholesale price is \$125.00 per square for siding, \$1.38 per foot for soffit, \$1.15 per foot for fascia metal, and \$37.50 per square for additional materials and supplies. I don't plan to hire any employees during my first two years in business unless sales are substantially higher than I projected. The cost for a typical job would be about \$2,758 plus 10% to cover contingencies.

The total variable cost per average job is roughly \$3,033.00 allocated as follows:

- 14 squares at \$125.00/square = \$1,750.00
- 200' soffit at \$1.38/ft = \$276.00
- 180' fascia metal at \$1.15/ft = \$207.00
- 14 squares additional materials and supplies at \$37.50/square = \$525.00
- 10% contingency = \$275.00

Table 6 combines the fixed operating expenses for month 1 with the expenses for months 2 through 12. The total is divided by 12 to arrive at an average, which I used for calculating the number of jobs needed to break-even at different price points.



| <b>Table 6: Average Monthly Fixed Operating Expenses<br/>(Projected for first year)</b> |                   |
|---|-------------------|
| <b>Item</b>   | <b>Amount</b>     |
| Advertising   | \$29.60           |
| Dues/Subscriptions  | \$3.00            |
| Insurance   | \$33.33           |
| Truck Expenses  | \$90.00           |
| Miscellaneous   | \$50.00           |
| Office Supplies   | \$20.00           |
| Printing Cards & Flyers   | \$11.25           |
| Professional Services   | \$25.00           |
| Taxes/Licenses  | \$504.16          |
| Telephone   | \$85.00           |
| Travel  | \$80.00           |
| Bonding   | \$40.00           |
| Loan Payment  | \$159.00          |
| Capital Expenditures  | \$354.17          |
| Owner Draw  | \$1,500.00        |
| <b>Avg. Monthly Total</b>   | <b>\$2,984.51</b> |

Table 7 is an estimate of the average number of jobs I will need to complete each month to break even and cover my fixed and variable costs. I'm calculating this at several possible prices because there's a tradeoff between how much work I can handle and still keep my prices competitive.

| <b>Table 7: First Year Jobs Needed to Break Even</b>                              |             |             |            |            |
|---|-------------|-------------|------------|------------|
| Price per avg. job  | \$4,850     | \$5,650     | \$6,450    | \$7,250    |
| Variable operating costs per job  | \$3,033     | \$3,033     | \$3,033    | \$3,033    |
| Gross profit  | \$1,817     | \$2,617     | \$3,417    | \$4,217    |
| Monthly fixed expenses  | \$2,984     | \$2,984     | \$2,984    | \$2,984    |
| <b># Jobs per month to Break Even<br/>(Monthly fixed expenses / gross profit)</b> | <b>1.64</b> | <b>1.14</b> | <b>.87</b> | <b>.71</b> |

These figures show that if I charge an average price of \$4,850 per job, I need to do 1.64 jobs per month to cover all my costs. If I get more than 1.64 jobs per month, Rainbow Siding will start to show a profit. Later, if it looks like the market will support average prices of \$5,650 to \$7,250, I can charge more and make a profit after as few as .71 jobs per month.

In the second year of operation, I'd like to draw a salary of \$2,000 per month and earn a profit of \$1,000 per month (see Table 8). For a rough estimate, I'm assuming my average monthly expenses and taxes won't change. I'd have to increase monthly fixed expenses by \$500 to cover my monthly salary increase. To do that and still charge \$4,850 per job, I'd have to start averaging 2.5 jobs each month.

| Table 8: Second Year Jobs Needed to Meet Profit Target                            |             |             |             |             |
|---|-------------|-------------|-------------|-------------|
| Item  | Amount      | Amount      | Amount      | Amount      |
| Price per avg. job  | \$4,850     | \$5,650     | \$6,450     | \$7,250     |
| Variable Cost   | \$3,033     | \$3,033     | \$3,033     | \$3,033     |
| Gross Profit  | \$1,817     | \$2,617     | \$3,417     | \$4,217     |
| Monthly Fixed Expenses  | \$3,484     | \$3,484     | \$3,484     | \$3,484     |
| <b># Jobs per Month to Break Even<br/>(Monthly Fixed Expenses / Gross Profit)</b> | <b>1.92</b> | <b>1.33</b> | <b>1.02</b> | <b>0.83</b> |
| Profit Goal   | \$1,000     | \$1,000     | 1,000       | \$1,000     |
| <b># Jobs to Achieve Profit<br/>(Profit Goal / Gross Profit)</b>                  | <b>0.55</b> | <b>0.38</b> | <b>0.29</b> | <b>0.24</b> |
| <b>Total Jobs per Month (Break Even plus Profit)</b>                              | <b>2.5</b>  | <b>1.7</b>  | <b>1.3</b>  | <b>1.1</b>  |

## Sales Forecast

The first month I'm in business I don't expect to complete any jobs. This initial month will be dedicated to marketing and visiting with potential customers. I have projected that I will complete one job each month from February to May. These first jobs will be harder to secure since I will not be able to provide references to these initial customers. By June, I hope my business will be growing. People often consider house repairs in the summer and I will have some customer references to provide. I expect a push in October, because people like to get home projects wrapped up before the snow flies. Business will likely fall off in late November and December because of bad weather over the winter. Table 9 provides my sales forecast for my first year of business.

| Table 9: Sales Forecast - 1/1/16 - 12/31/17 |      |      |      |      |      |      |       |       |       |       |       |      |         |
|---|------|------|------|------|------|------|-------|-------|-------|-------|-------|------|---------|
| Month                                       | Jan  | Feb  | Mar  | Apr  | May  | Jun  | Jul   | Aug   | Sep   | Oct   | Nov   | Dec  | Total   |
| Price per job                               | 4850 | 4850 | 4850 | 4850 | 4850 | 4850 | 4850  | 4850  | 4850  | 4850  | 4850  | 4850 |         |
| Number of jobs                              | 0    | 1    | 1    | 1    | 1    | 2    | 3     | 3     | 3     | 5     | 3     | 1    | 24 jobs |
| Monthly sales                               |      | 4850 | 4850 | 4850 | 4850 | 9700 | 14550 | 14550 | 14550 | 24250 | 14550 | 4850 | 116400  |

## **Cash Flow Statement**

As can be seen in the cash flow statement (Table 10), during January and February, I expect to buy inventory for jobs that won't be finished and paid for until February and March. I'll also spend \$4,250 on capital equipment in January. That first month I don't anticipate any income. My expenses will exceed income through May and I will need to draw from my savings account to pay bills during that time. I will see my first profitable month in June but my cash will not be in the black until August. My projections show a profit until December, when I project just one job. I show that at the end of the year, my cash will increase by \$4,761.

| Table 10: Cash Flow Statement - 1/1/16 - 12/31/17 |              |             |             |             |             |             |              |              |             |              |              |             |               |
|---|--------------|-------------|-------------|-------------|-------------|-------------|--------------|--------------|-------------|--------------|--------------|-------------|---------------|
| Month   | Jan          | Feb         | Mar         | Apr         | May         | Jun         | Jul          | Aug          | Sep         | Oct          | Nov          | Dec         | Total         |
| Cash Reserve                                      | 10000        | (60)        | (860)       | (1660)      | (2460)      | (3260)      | (2243)       | 591          | 3425        | 6259         | 12727        | 15561       | NA            |
| <b>Receipts</b>                                   |              |             |             |             |             |             |              |              |             |              |              |             |               |
| Sales (cash)                                      |              | 4850        | 4850        | 4850        | 4850        | 9700        | 14550        | 14550        | 14550       | 24250        | 14550        | 4850        | 116400        |
| From Savings                                      | 0            |             |             |             |             |             |              |              |             |              |              |             |               |
| Total Receipts                                    |              | 4850        | 4850        | 4850        | 4850        | 9700        | 14550        | 14550        | 14550       | 24250        | 14550        | 4850        | 116400        |
| <b>Disbursements</b>                              |              |             |             |             |             |             |              |              |             |              |              |             |               |
| <b>Cost of Sales</b>                              |              |             |             |             |             |             |              |              |             |              |              |             |               |
| Wages   | 0            |             |             |             |             |             |              |              |             |              |              |             |               |
| Materials & Supplies                              | 3033         | 3033        | 3033        | 3033        | 3033        | 6066        | 9099         | 9099         | 9099        | 15165        | 9099         | 3033        | 75825         |
| Total Cost of Sales                               | 3033         | 3033        | 3033        | 3033        | 3033        | 6066        | 9099         | 9099         | 9099        | 15165        | 9099         | 3033        | 75825         |
| <b>Expenses</b>                                   |              |             |             |             |             |             |              |              |             |              |              |             |               |
| Advertising                                       | 80           | 25          | 25          | 25          | 25          | 25          | 25           | 25           | 25          | 25           | 25           | 25          | 355           |
| Dues & Subscriptions                              | 36           | 0           | 0           | 0           | 0           | 0           | 0            | 0            | 0           | 0            | 0            | 0           | 36            |
| Insurance   | 37           | 33          | 33          | 33          | 33          | 33          | 33           | 33           | 33          | 33           | 33           | 33          | 400           |
| Truck Expenses                                    | 90           | 90          | 90          | 90          | 90          | 90          | 90           | 90           | 90          | 90           | 90           | 90          | 1080          |
| Miscellaneous                                     | 50           | 50          | 50          | 50          | 50          | 50          | 50           | 50           | 50          | 50           | 50           | 50          | 600           |
| Office Supplies                                   | 20           | 20          | 20          | 20          | 20          | 20          | 20           | 20           | 20          | 20           | 20           | 20          | 240           |
| Printing  | 25           | 10          | 10          | 10          | 10          | 10          | 10           | 10           | 10          | 10           | 10           | 10          | 135           |
| Professional Services                             | 25           | 25          | 25          | 25          | 25          | 25          | 25           | 25           | 25          | 25           | 25           | 25          | 300           |
| Taxes & Licenses                                  | 550          | 500         | 500         | 500         | 500         | 500         | 500          | 500          | 500         | 500          | 500          | 500         | 6050          |
| Telephone   | 85           | 85          | 85          | 85          | 85          | 85          | 85           | 85           | 85          | 85           | 85           | 85          | 1020          |
| Travel  | 80           | 80          | 80          | 80          | 80          | 80          | 80           | 80           | 80          | 80           | 80           | 80          | 960           |
| Bonding   | 40           | 40          | 40          | 40          | 40          | 40          | 40           | 40           | 40          | 40           | 40           | 40          | 480           |
| Total Expenses                                    | 1118         | 958         | 958         | 958         | 958         | 958         | 958          | 958          | 958         | 958          | 958          | 958         | 11656         |
| <b>Other Disbursements</b>                        |              |             |             |             |             |             |              |              |             |              |              |             |               |
| Loan Payment                                      | 159          | 159         | 159         | 159         | 159         | 159         | 159          | 159          | 159         | 159          | 159          | 159         | 1908          |
| Capital Expenditure                               | 4250         | 0           | 0           | 0           | 0           | 0           | 0            | 0            | 0           | 0            | 0            | 0           | 4250          |
| Owner's Draw                                      | 1500         | 1500        | 1500        | 1500        | 1500        | 1500        | 1500         | 1500         | 1500        | 1500         | 1500         | 1500        | 18000         |
| Total Other                                       | 5909         | 1659        | 1659        | 1659        | 1659        | 1659        | 1659         | 1659         | 1659        | 1659         | 1659         | 1659        | 24158         |
| <b>Total Disbursements</b>                        | <b>10060</b> | <b>5650</b> | <b>5650</b> | <b>5650</b> | <b>5650</b> | <b>8683</b> | <b>11716</b> | <b>11716</b> | <b>8040</b> | <b>17782</b> | <b>11716</b> | <b>8040</b> | <b>111639</b> |
| Surplus (Deficit)                                 | (10060)      | (800)       | (800)       | (800)       | (800)       | 1017        | 2834         | 2834         | 2834        | 6468         | 2834         | (800)       | 4761          |
| Ending Cash                                       | (60)         | (860)       | (1660)      | (2460)      | (3260)      | (2243)      | 591          | 3425         | 6259        | 12727        | 15561        | 14761       |               |

## Income Statement

From the Cash Flow Statement (Table 10), first year sales are projected to be \$116,400 with corresponding materials expenses of \$75,825 resulting in a gross profit of \$40,575. After subtracting fixed and other expenses my first year net profit is projected to be \$4,761.

| <b>Table 11: Income Statement (Projected)</b><br><b>1/1/16 - 12/31/17</b> |                      |
|---|----------------------|
| <b><i>Revenue</i></b>   |                      |
| Total Sales   | \$116,400.00         |
| Cost of Goods Sold (est. \$3,033/per avg. job)                            | (\$75,825.00)        |
| <b>Gross Profit</b>   | <b>\$40,575.00</b>   |
| <b><i>Expenses</i></b>  |                      |
| Advertising   | \$355.00             |
| Dues/Subscriptions  | \$36.00              |
| Insurance   | \$400.00             |
| Truck Expenses  | \$1,080.00           |
| Miscellaneous   | \$600.00             |
| Office Supplies   | \$240.00             |
| Printing Cards & Flyers   | \$135.00             |
| Professional Services   | \$300.00             |
| Taxes/Licenses  | \$6,050.00           |
| Telephone   | \$1,020.00           |
| Travel/Entertainment  | \$960.00             |
| Bonding   | \$480.00             |
| <b>Total Operating Expenses</b>   | <b>\$11,656.00</b>   |
| Other Expenses  |                      |
| Loan Payments   | \$1,908.00           |
| Capital Equipment   | \$4,250.00           |
| Owner Draw  | \$18,000.00          |
| <b>Total Other Expenses</b>   | <b>\$24,158.00</b>   |
| <b>Total Expenses</b>   | <b>(\$35,814.00)</b> |
| <b>Net Profit (Gross Profit less Total Expenses)</b>                      | <b>\$4,761.00</b>    |

## Balance Sheet

Table 12 provides my projected assets, liabilities, and equity for my first year in business. I realize that what I'd like may not match reality at the end of the year. I plan to check the balance sheet throughout the year to see how close I can stay to my projections. If I see deviations, I will re-evaluate my sales, pricing and outreach efforts.

| <b>Table 12: Balance Sheet (Projected)</b>       |                    |
|--|--------------------|
| <b>12/31/17</b>                                  |                    |
| <b>Assets, Liabilities, and Equity</b>           | <b>Amount</b>      |
| <b>Current Assets</b>                            |                    |
| Cash   | \$14,761.00        |
| Equipment, Supplies (depreciated)                | \$489.50           |
| Accounts Receivable                              | \$1,000.00         |
| Inventory  | \$0.00             |
| Prepaid Expenses                                 | \$3,033.00         |
| <b>Total Current Assets</b>                      | <b>\$19,283.50</b> |
| <b>Fixed Assets</b>                              |                    |
| Truck  | \$6,500.00         |
| Equipment, Capital                               | \$3,271.00         |
| Less Accumulated Depreciation                    | (\$1,954.00)       |
| <b>Total Fixed Assets</b>                        | <b>\$7,817.00</b>  |
| <b>Total Assets (Current + Fixed)</b>            | <b>\$27,100.50</b> |
| <b>Liabilities</b>                               |                    |
| <b>Current Liabilities</b>                       |                    |
| Accounts Payable                                 | \$3,033.00         |
| Accrued Expenses                                 | \$1,500.00         |
| <b>Total</b>                                     | <b>\$4,533.00</b>  |
| <b>Long-Term Liabilities</b>                     |                    |
| Notes Payable                                    | \$8,800.00         |
| <b>Total</b>                                     | <b>\$8,800.00</b>  |
| <b>Total Liabilities (Current + Long-term)</b>   | <b>\$13,333.00</b> |
| <b>Equity (Total Assets – Total Liabilities)</b> | <b>\$13,767.50</b> |