

SmallSteps Profitability Analysis, v1

Team EEKK, 4/22/09

Assumptions	Year 0 - PreLaunch	Pilot Year (1)	Year 2	Year 3
Number of Members	0	500	2000	8000
Monthly Subscription Fee	\$ 40	\$ 40	\$ 40	\$ 40
Drop-In Attendance	0	100	400	1000
Drop-In class charge	\$ 15	\$ 15	\$ 15	\$ 15
Corporate Members (individual members)	0	500	2000	8000
Corporate Rate (per member per month)	\$ -	\$ 35	\$ 35	\$ 35
Member Corporations	0	20	100	400
Corporation Membership Fee (Annual)	\$ -	\$ 500	\$ 1,000	\$ 1,500
Monthly Ad rate (125px x 125px)	\$ -	\$ 500	\$ 1,000	\$ 1,500
# of Monthly Ads	0	3	5	10
Cost of capital (WACC of Enviro. Industry)	6.92%			

Expected Revenue	Year 0 - PreLaunch	Pilot Year (1)	Year 2	Year 3
Monthly Memberships	\$ -	\$ 240,000	\$ 960,000	\$ 3,840,000
Drop In Classes	\$ -	\$ 18,000	\$ 72,000	\$ 180,000
Corporate Memberships	\$ -	\$ 210,000	\$ 840,000	\$ 3,360,000
Member Corporation Dues	\$ -	\$ 10,000	\$ 100,000	\$ 600,000
Online Advertisements	\$ -	\$ 18,000	\$ 60,000	\$ 180,000
Licensing Fees	\$ -	\$ 46,800	\$ 187,200	\$ 738,000
Small Steps Support Materials (members)	\$ -	\$ 7,500	\$ 30,000	\$ 120,000
Supplementary Products (mass market)	\$ -	\$ 100,000	\$ 500,000	\$ 1,000,000
Total Revenue	\$ -	\$ 650,300	\$ 2,749,200	\$ 10,018,000

Expected Costs	Year 0 - PreLaunch	Pilot Year (1)	Year 2	Year 3
Development				
Operations/Admin	\$ 600,000	\$ -	\$ -	\$ -
Content Development (Research)	\$ 50,000	\$ -	\$ -	\$ -
Market Research	\$ 50,000	\$ -	\$ -	\$ -
Webtools Development	\$ 50,000	\$ -	\$ -	\$ -
Mobile App Development	\$ 30,000	\$ -	\$ -	\$ -

Marketing Collateral (Printing & Design)	\$	50,000	\$	100,000	\$	150,000	\$	250,000
Training Materials	\$	10,000	\$	10,000	\$	10,000	\$	10,000

Ramp-Up (Pilot Program)

Operations/Admin	\$	-	\$	600,000	\$	600,000	\$	600,000
Facilities Related (for Meetings)	\$	-	\$	30,000	\$	-	\$	-
Pilot Marketing	\$	-	\$	100,000	\$	-	\$	-

Marketing & Support

Advertising & Marketing	\$	25,000	\$	25,000	\$	100,000	\$	150,000
Admin Office Facilities	\$	36,000	\$	36,000	\$	36,000	\$	36,000
Meeting Facilities	\$	-	\$	30,000	\$	120,000	\$	480,000
Customer Service	\$	-	\$	30,000	\$	30,000	\$	30,000
Systems Administration	\$	60,000	\$	60,000	\$	60,000	\$	60,000
Database maintenance	\$	-	\$	5,000	\$	5,000	\$	5,000
Legal Counsel	\$	5,000	\$	20,000	\$	80,000	\$	320,000
Research Team (Content Development)	\$	-	\$	50,000	\$	100,000	\$	200,000
Accountant*	\$	20,000	\$	40,000	\$	80,000	\$	160,000
Insurance	\$	15,000	\$	15,000	\$	15,000	\$	15,000

Production Cost

Meeting Leaders Stipend	\$	-	\$	120,000	\$	480,000	\$	1,920,000
Meeting Collateral	\$	-	\$	48,125	\$	192,500	\$	770,000
Supplementary Product Development	\$	10,000	\$	30,000	\$	90,000	\$	270,000

Total Costs	\$	1,011,000	\$	1,349,125	\$	2,148,500	\$	5,276,000
Net before taxes	\$	(1,011,000)	\$	(698,825)	\$	600,700	\$	4,742,000
Profits after taxes (35%)		-		-	\$	390,455	\$	3,082,300
Net Profit Margin		-		-		14.20%		30.77%
Cash Inflows	\$	-	\$	650,300	\$	2,749,200	\$	10,018,000
Cash Outflows	\$	1,011,000	\$	1,349,125	\$	2,148,500	\$	5,276,000
Free Cash Flows	\$	(1,011,000)	\$	(698,825)	\$	600,700	\$	4,742,000
Net Present Value (NPV)	\$	2,563,079						
Internal Rate of Return (IRR)				58%				