Xxxxx

Business Plan

COMPANY

April, 2020

Xxxxxx is a new mobile application which will create a new kind of wine club. Through its partners- local restaurants and wine distributors, Uncorked will offer discounts on corkage fees and wine purchases and will drive wine sales in restaurants as well as attract new customers.

Table of Contents

Preface

1. Aaaa (Cccc) Bbbbb (hereinafter: the "entrepreneur") commissioned GONOGO Ltd. to prepare a business plan and valuation for a mobile application project called "Xxxxx" (hereinafter: the "Company") business activities.

2. This business plan and valuation are based on the following sources:

- Meetings conducted with the entrepreneurs;
- Data received from the entrepreneurs;
- Financial data;
- Various publicly available websites;
- Professional literature;
- Related online articles and published sources.

3. The following steps were carried out as part of the writing process:

- Meetings with the entrepreneur which included clarifications and the authentication of financial data, as well as other statements and presentations which were used, as part of the compilation of this business plan and valuation;
- Review and evaluation of the data included in the various documents and presentations provided by the Company (as detailed hereafter);
- Compilation of various calculations, as detailed in this document.

4. This business plan and valuation are partly based on data provided by the Company. The business plan and valuation were prepared based on the assumption that all financial data, documents and presentations provided to us by the company, are wholly accurate, complete and truthful. The veracity of the data provided was not subject to any further verification by our team beyond consideration of their likelihood and compliance with market conditions.

5. This business plan and valuation review business and financial forecasts, as provided by the Company. Forecasts may be unreliable, and are solely based on current trends and data available to the Company at the time of valuation; therefore, their accuracy is only true at the present time. Actual results may vary, and any change in circumstances will require an adjustment of the original variables upon which this valuation is based.

6. Business plans are not an exact science, and are intended only to offer a reasonable and truthful evaluation of the venture's value at the time of writing. A change in any of the principle variables and/or data upon which this plan was based may alter its conclusions.

7. It should be emphasized, that the following business plan and valuation were completed without the assistance of any third party, legal advice or external entity.

Analysis of the various documents was conducted solely for the purposes of completing the business plan and valuation.

8. GONOGO did not carry out any due diligence authentication, or any other verification of the data included herein. Should it be revealed that any of the financial data and/or documents received from the Company is false and/or inaccurate and/or incomplete, the results and conclusions must be adjusted accordingly.
9. No legal or physical tests were conducted throughout the writing process.
10. The Microsoft EXCEL worksheet application was used for all calculations in this document; subsequently, the numerical figures are subject to rounding to the nearest decimal point.
11. GONOGO Ltd., its management and team are not liable or responsible for any actions taken as a result of this business plan and valuation, nor for any use made thereof, or for any interpretation of its contents, beyond its completion and delivery to the client.

1. Executive Summary

1.1 Xxxxx

"**Xxxxx**" application will be developed to solve a problem driven by the high price of wine at restaurants, a price that rises according to the exclusiveness of the restaurant. Customers hoping to reduce the price of wine by purchasing and bringing their own bottles to the restaurant are asked to pay a corkage fee which can range between $5 – 40$ depending on the type of restaurant. The application is expected to lower the price of wines and at same time drive a higher number of customers to the restaurant.

The app will offer restaurants a chance to join in as strategic partners and offer customers who use the app benefits such as a lower corkage fee, a discount on wines and more. The app will be offered to customers at a fee while bonuses will also depend upon signing up for a monthly subscription feesubscription. Restaurants will in turn enjoy recommendations on the app, revenue sharing from downloads and subscriptions, and entry into an exclusive club which is expected to accumulate a growing audience of users.

The app is expected to become the top wine club in the US, and as the years go by, different services will be added, such as offers to purchase specialty wines, barcode scanning of wine bottles in order to receive recommendations and information, and a series of branded wines which will be made possible thanks to future partnerships with wine makers and wine distributors throughout the US.

1.2 The Business Opportunity

Wine is one of the top selling alcoholic beverages in the US. A change of tastes in the last few years too has brought rise in general wine consumption in the US. BYOB (Bring Your Own Booze) has also gained momentum in the last few years and more restaurants are offering their customers the option to bring their favorite wine bottle with them to the restaurant and pay a corkage fee for opening it.

Corkage fees in the US are one of the highest in the world and stand at an average of $10 a bottle. This cost presents an opportunity for creating an alternative value both for the restaurants and customers alike by creating a “member club” which will save customers money.

Due to the rise in demand for wine and the perception of wine as a drink that can accompany any meal, there has been a rise in the number of manufacturers and importers trying to enter the US market which is considered the largest for wine consumption in the world.

1.3 The Business Model

The company will operate in the following way:

Paid application download → User receives instant gift → Creating a user profile → Purchasing a monthly subscription → receiving benefits on a regular basis

Company revenues will be generated using the following activity/operation channels:

- **Paid application download** – payment for the initial download of the app at a low fee;
- **Payment for a monthly subscription** – payment for registering for a regular monthly subscription of the app which will give customers the option of receiving benefits on a regular basis;
- **Sales of wines to consumers through the app** – starting in the third year of its operations, the company will begin selling wine bottles to its app users through distributors it will work with in every country;

1.4 Business Development Milestones

Year 1	Year 2	Year 3	Year 4	Year 5
TTM				
Operations in a selected state in the US				
		Proprietary wine sales to consumers		
		State-wide expansion (USA)		

1.5 Financial Plan Highlights

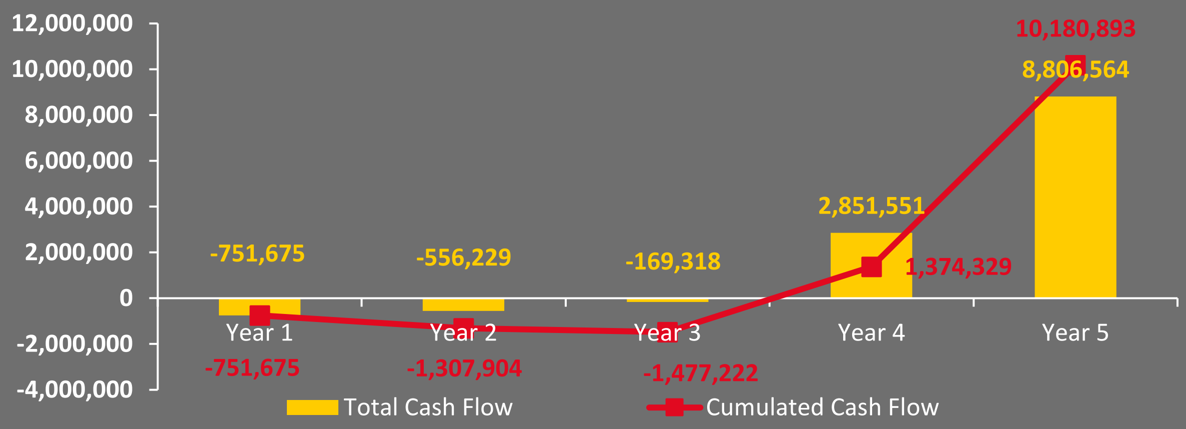
1.5.1 Profit and loss report for years 1-5 (in $, VAT excluded) – highlights

	Year 1	Year 2	Year 3	Year 4	Year 5
Revenues	85,543	647,578	3,155,192	10,940,098	30,736,467
Direct Expenses	38,290	260,336	1,340,874	4,570,446	12,868,933
Direct Revenues	**47,253**	**387,242**	**1,814,318**	**6,369,652**	**17,867,534**
	55.20%	**59.80%**	**57.50%**	**58.20%**	**58.10%**
Overall Expenses	**698,364**	**978,379**	**2,025,997**	**2,760,062**	**4,243,751**
	816.40%	**151%**	**64%**	**25%**	**14%**
Net profit/loss	**-658,311**	**-600,137**	**-222,929**	**2,855,575**	**8,844,033**
	-769.60%	-93%	-7%	26%	29%

	Year 1	Year 2	Year 3	Year 4	Year 5
Operating Cash Flow	-562,579	-467,218	-63,156	2,958,001	8,950,615
Cash flow from investments	189,095	89,011	106,162	106,450	144,052
Net cash flow	**-751,675**	**-556,229**	**-169,318**	**2,851,551**	**8,806,564**
Cumulative cash flow	**-751,675**	**-1,307,904**	**-1,477,222**	**1,374,329**	**10,180,893**
Discounted cumulative cash flow (25%)	**-601,340**	**-957,326**	**-1,044,017**	**123,978**	**3,009,713**

1.5.2 Cash flow projections for years 1-5 (in $, VAT excluded) – highlights

The following is a chart describing the net and cumulative cash flow projected for years 1-5 of the company's operations:



- Based on the negative cumulative cash flow in Year 2, **$1.5 million should be raised**.
- ROI according to capitalization rate of 25% is estimated at **4 years**.
- Operations value received (by discounting cash flow and implementing the Gordon model) is **$16.5 million**.

2. The Company

2.1 Xxxxx

Restaurants have recently become one of the most common forms of entertainment in the world. Many customers are interested in enjoying quality food and service and will even pay a hefty sum for this. To enrich the culinary experience, restaurants will often offer wines to accompany various menu items, but in some cases customers prefer to bring their own wine of choice and not depend on what the restaurant has to offer. For many restaurants this has become an opportunity to charge a corkage fee for uncorking the wine bottle at the restaurant (due to the fact that the customer is actually saving by not purchasing wine at the restaurant). Corkage fees usually range between $5 - $45; based on how prestigious the restaurant is, whereas the average corkage fee is about $15 a bottle.

The high price of corkage fees sometimes irritates customers and even causes some to avoid dining at certain restaurants, especially since wine prices at restaurants rise from time to time and even purchasing a glass of bottle of wine at the restaurant often comes with a much higher price tag than at the liquor or grocery store.

The **idea for the Xxxxx** app will be developed as a solution to this problem, and is meant to drive more diners to restaurants. The application will offer restaurants the opportunity to partner up strategically so that restaurants can offer benefits to app members like reduced corkage fees, a reduced wine rate and more. This will be offered to customers at a price and receiving benefits will also require customers to sign up on a monthly subscription. Restaurants, in turn, will enjoy app recommendations, a division of profits from downloads and subscriptions, and a chance to enter into an exclusive club which is expected to accumulate a growing number of users.

The application is expected to become the top wine consumer club in the US. In upcoming years, additional services will be added, such as the opportunity to purchase exclusive wines, barcode scanning of bottles for recommendations and related info, and even a branded series of wines which will be possible thanks to future partnerships with wine manufacturers and distributors in the US.

2.1.1 Services offered through the application

Xxxxx will offer a number of plans for restaurants; each plan will offer restaurants an opportunity to join the Xxxxx customer club and the chance to offer discounts in one or more of the following ways:

- **Wine corkage** – a full or partial discount on corkage fees at a restaurant;
- **Purchase of a glass/bottle of wine** – a partial discount off the price of a bottle or wine glass, which allows the restaurant to retain an adequate profit margin;

- **A coupon with the purchase of a glass of wine** – a one-time benefit when downloading the app or paying for a subscription, of receiving a complimentary glass of wine while dining at the restaurant;

In order to create an incentive to partner up with the company, **Xxxxx** will offer and describe in detail to the restaurants the unique value proposition comprised of 4 unique advantages:

1. **Advertising** – Any restaurant joining the company and recommending the download of the app (and the gaining of benefits) to its customers, will receive exclusive advertising and unique recommendations through the **Xxxxx** application, which in turn will invest its own money in advertising and marketing budgets that are expected to increase the application user database on a frequent basis.
2. **Traffic at the restaurant** – Restaurant that are members of **Xxxxx** will enjoy, due to exposure, and due to their partnership, a traffic of customers, as the app will encourage users to visit restaurants in their area;
3. **Wine orders** – It is expected that the number of wine orders at restaurants joining **Xxxxx** will rise significantly, as the app will provide customers with recommendations for wines and their pairings with food items offered on the menu;
4. **Revenue share** – Restaurants will enjoy an additional income source as **Xxxxx** will transfer part of its earnings (at a standard rate) to the restaurants. This is also expected to be an incentive for more restaurants to join on a frequent basis, as the user database becomes larger and larger.

In its third year of operations, Xxxxx will begin recommending to users the purchase of wine bottles directly from distributors. The relationship with the distributors will be established in the very first years, and this will possibly help create partnerships with restaurants.

As Xxxxx grows its operations, it is expected to offer additional services including-

- A partnership with manufacturers and wine distributors for the purposes of creating a selection of brand name wines which will carry their trademark; this will automatically qualify for receiving benefits in participating restaurants;
- Unique promotion through the app itself – after acquiring a large number of restaurants as partners, the company will suggest that restaurants promote and market themselves through it with funded advertising;

2.2 The Business Opportunity

The wine industry receives wide attention from both everyday consumers and wine connoisseurs, whose number has significantly increased in the past few years. Wines in the US, and especially the more expensive ones, have become a symbol of status, that of a wealthy individual – a person of means, good taste and unique style. However, and due to an increase in wine import, Americans today like the advantage of enjoying a glass of wine at almost every meal. With the rise in demand there has been an increase in standards, and prestigious wines receive a place of honor in many restaurants.

Due to the increase in the demand for wine and its perception as a beverage that can accompany any meal, there has been an increase in the number of manufacturers and importers who are interested in gaining market share in the United States, which is considered to be the highest consuming wine nation in the world today.

Corkage fees in the US are some of the highest in the world and reach an average of $10 a bottle. This cost opens up an opportunity for creating added value for both restaurants and customers by creating a “customer loyalty club” which will reduce this cost.

2.3 Vision, Values and Goals

2.3.1 Vision

Xxxxx is set to become the leading application in the field of wine clubs and will help restaurants expand their circle of regular customers throughout the United States.

2.3.2 Values

- **Innovation** – Xxxxx will provide an innovative and unique platform for customers and restaurants through which they can connect by joining an exclusive wine lovers’ club;
- **Service oriented** – the company will provide quick and efficient customer service to its application users in the US;
- **Savings** – The application will help wine lovers select a quality restaurant where they can enjoy their favorite wine at a reasonable price and at low service charges;
- **Convenience** – the application will have a simple and easy interface which will provide information on restaurants, and wine recommendations;

2.3.3 Goals

- **Reducing corkage fees and wine purchase costs** – Xxxxx will create a partnership with a number of restaurants in order to lower corkage fees at restaurants, and to reduce the price of wines sold at restaurants, and will attract new customers to the restaurants;
- **Unique territory** – the application will help restaurants create unique territories which will create higher customer traffic with exclusive offers and discounts on wines and corkage fees at restaurants, alongside targeted customer advertising;
- **Website and app traffic** – the company will aspire to gain and maintain a high number of app users and subscribers (traffic);

2.4 The entrepreneur

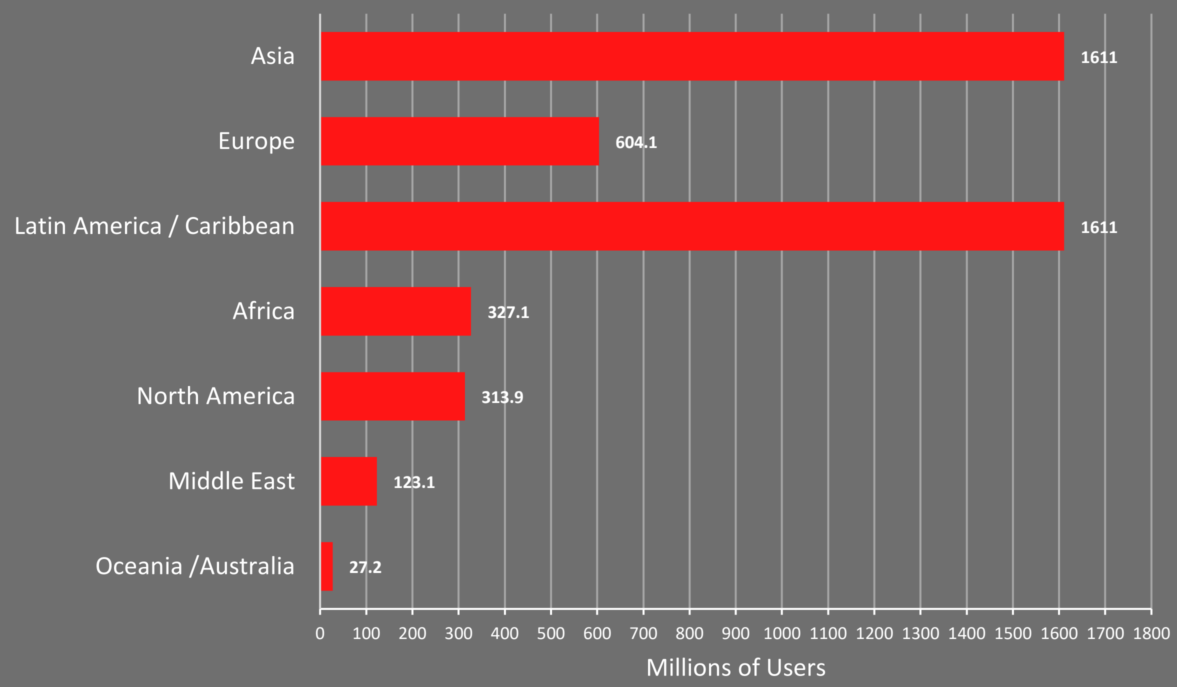
The entrepreneur behind **Xxxxx** is Aaaa (Cccc) Bbbbb. Aaaa is a real-estate businessman in the US, and has founded

3. Market Analysis

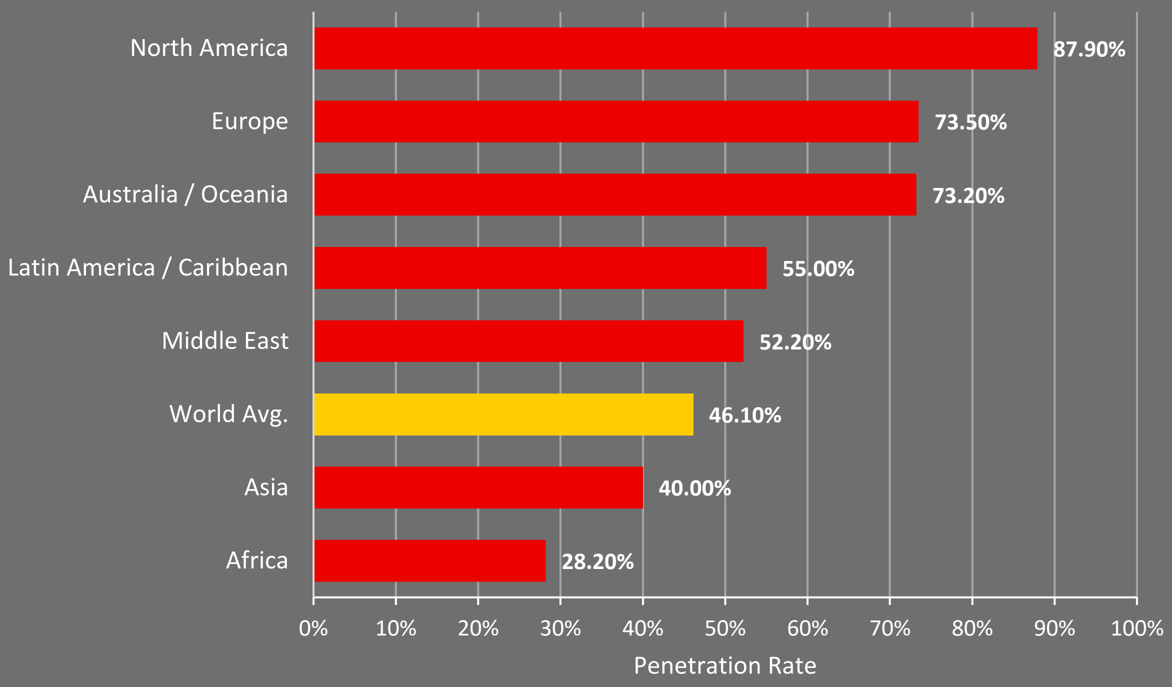
3.1 Global Internet User Rate

According to international indexes, in 2015 the rate of global Internet users was 46.1%; in other words, we can assume that 3.2 billion people (of a population of 7.3 billion) are Internet users. This statistic jumped 100% in the past 5 years. The number of global Internet users is still considered low as it is apparently low in developing countries. As we can see in the following graphs: Asia, Africa and the Middle East have the lowest user rate worldwide. Despite the relatively low rate of users in Asia (40%), this region contains the largest number of Internet users – over 1.5 billion users.

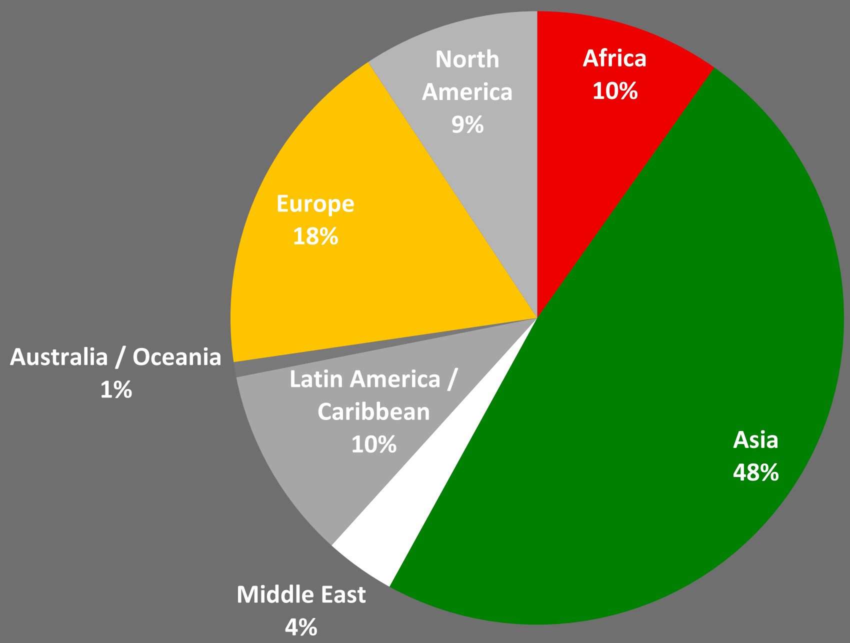
The number of Internet users worldwide (in millions) by region (quarter 4– 2015), according to InternetWorldStats.com:



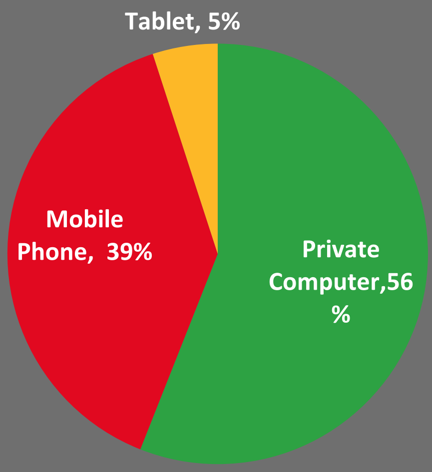
Internet penetration rate (quarter 4 – 2015) according to InternetWorldStats.com



Internet user distribution by geographical region (November – 2015), according to InternetWorldStats.com:



The following chart describes the distribution of Internet users in 2016 by device type, according to StatCounter:



3.2 Mobile Trends Analysis

According to current projections, in 2015 there are 7.5 billion mobile subscribers, a penetration rate of 100% with respect to the world population, but because many people own more than one mobile phone, the actual number of people who own a mobile phone stands at 3.8 billion. There are 3.5 billion cellular Internet customers in the world today; 2.6 billion people own a smartphone, and another 900 million have a cellular Internet connection of some kind: a cellular computer router, a tablet or a connected laptop. It is forecasted that by the year 2020 there will be 10 billion cellular connections in the world, out of which 8 billion in that same year are cellular Internet connections, of which 5.9 billion are smartphones.

As to coverage, 60% of the world's population has a 2nd generation phone, 70% have a 3rd generation phone, and 26% have a Gen4 (LTE) phone. Data usage in the world today stands at 4,175 petabyte. Data use has doubled in the last quarter of 2015 compared to the same quarter the previous year while sound traffic increased only 4%. It is projected that data traffic will continue to rise at an annual rate of 50% until the year 2018. A computer connected to a network produces 2.5GB of traffic vs. 450MB that an average smartphone produces – the projection is that the traffic a smartphone produces will rise to 2GB a month in 2018.

One of the primary uses of smartphones is the download of apps for various needs. In recent years there has been a significant increasing trend in regards to this data. While in 2009 only 22% of mobile device owners downloaded applications, in 2013 this percentage surpassed the 50% bar and continues to rise to this day.

3.3 The US wine market

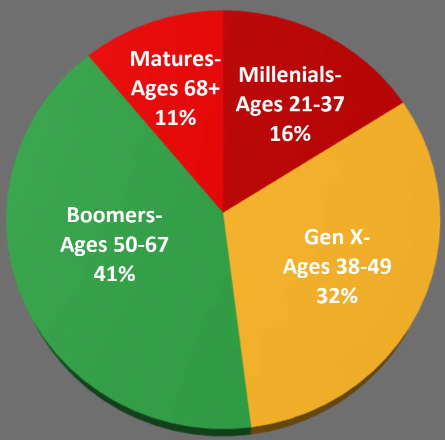
3.3.1 Characteristics and market size

The wine industry in the US is widely varied and is characterized as being both a big local producer and a world importer. The prices for wines per consumer in the US are divided into a number of categories according to the quality of wine in the following way:

- **Super value/ultra-value wines** – are priced at $1.99 or less for a 750 ml bottle;
- **Value wines** – are priced at $2.00-$5.99 or less for a 750 ml bottle;
- **Fighting-Varietal/economy wines** – are priced at $6.00-$8.99 for a 750 ml bottle;
- **Popular-premium wines** – priced at ~$9.00-$11.99 for a 750 ml bottle;
- **Premium wines** - priced at ~$12.00-$14.99 for a 750 ml bottle;
- **Super-premium wines** - priced at ~$15.00-$24.99 for a 750 ml bottle;
- **Ultra-premium wines** - priced at ~$25.00-$49.99 for a 750 ml bottle;
- **Luxury wines** - priced at ~$50.00 or more for a 750 ml bottle;

The wine "capital" of the US is the state of California, home to 4,054 wineries[1], compared to 718 in Washington (the next largest). In the US there are about 7,600 wineries in total, but more than 90% of the wines are produced at California wineries.

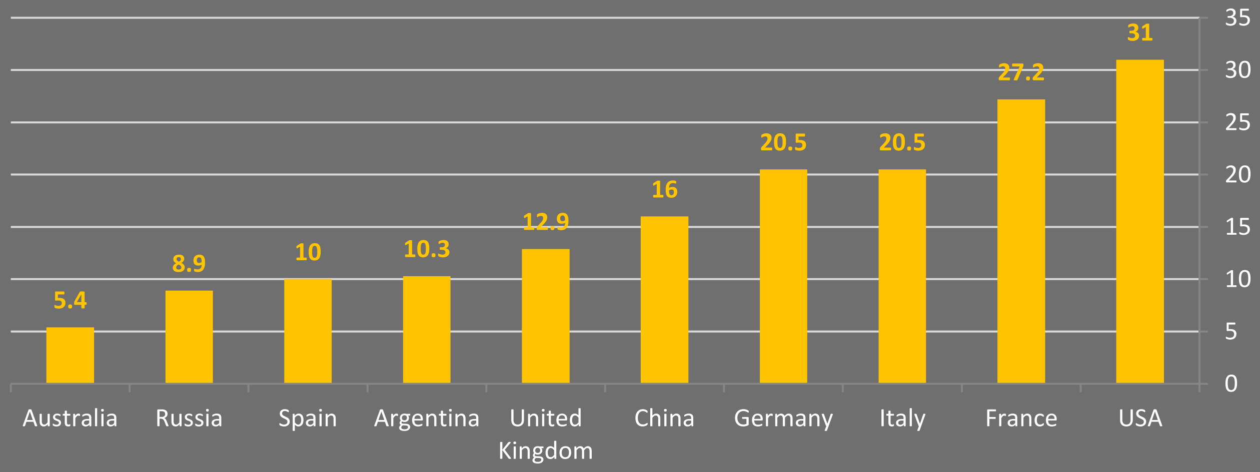
The value of the wine market in the US stands at 38 billion dollars; most of the winemakers are women (57%) and they are divided according to ages as follows:



[1]According to Statista

The average wine consumption per capita in the US is only 10.25L a person per year, a relatively low stat for other countries as seen in the following chart:

Although the consumption rate per capita is low, the United States is the leader on the general consumption index, and even passes wine-loving countries like France and Italy. The following chart describes the amount of wine consumed in different countries worldwide, in million hectoliters:

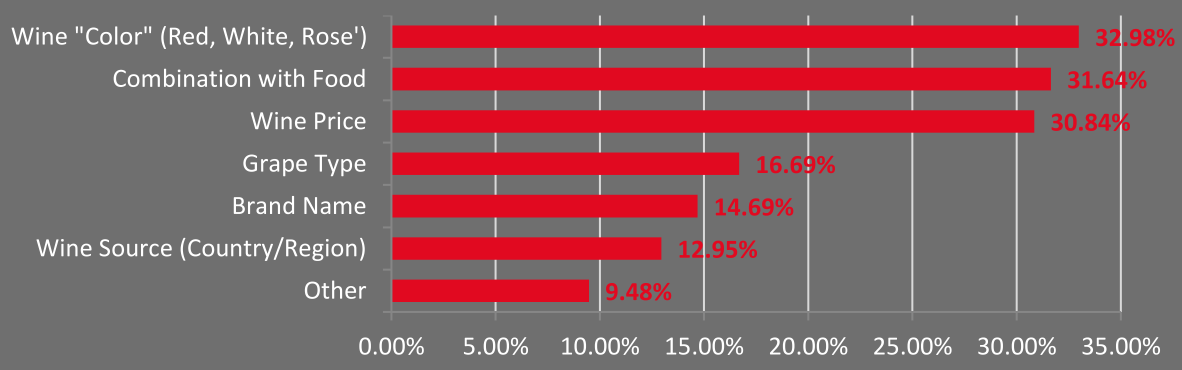


3.3.2 Trends in the US wine industry

- **"Luxury"** – Wine consumers in the US are willing to pay more for premium wines. This trend is known as "Premiumization" and it applies to other types of liquor as well;
- **Changes in taste preferences** – While "still" white and red wines continue to lead the market, there is an increase in the consumption of sangria and sparkling wines which have been consumed at a rise of 9.8% and 11% respectively.
- **Imported wines** – It is expected that a rise in the consumption of imported wines will occur in the US due to the success of branded wines from Chile, New Zealand and Spain;
- **Digital world entry** – According to a survey by Silicon Valley Bank, wine manufacturers today are not adequately involved in technological ventures, while the "digital presence" of wineries is relatively low. This creates an opportunity for the launch of a direct consumer wine market;
- **A decrease in general consumption in 2016** – According to market surveys, 2016 has begun to see, for the first time, a decrease in the rate of wine consumption despite the fact that premium (priced at more than $20) wine consumption has gone up;

A 2015 survey of a representing sample of 1,000 US citizens from different states, found that although 90% own a smartphone, only 26% have a "wine app" on their smartphones and only 25% use these apps to select wine. Among the applications offered, the **Vivino** application receives the widest audience (17%), while **HelloVino** and **WineSearcher** are at 15% and **Delectable** stands at 11%. In addition, it was found that 43% use their smartphone to check prices and costs of different wines and services. The survey also found, that most Americans prefer Chardonnays and Merlots, and that the preferred destinations for wine lovers are California (in the US) and Italy.

A survey conducted in the United States in 2015 examined the deciding factors in wine selection. Below are the results as published on the Statista website:



3.4 Identifying competitors in the field

3.4.1 Direct Competitors

The **CorkageFee** app offers Internet users a chance to join in a database that contains restaurants, wine types and corkage fees at each restaurant. The company provides a social network platform which users can utilize to share information about corkage fees at restaurants they've visited, write wine store reviews and wine recommendations, etc. The company is hoping that in this way it will be able to reduce the costs involved with corkage fees, and offer a constant updated database of restaurants and fees.

The application also contains recommendations for restaurants that do not charge corkage fees, these restaurants receive promotions on the app. The app is available in the US and Canada, while Android and IOS versions are available along with a marketing website (which is intended to persuade visitors to download the app).

To date, the CorkageFee app has received only a small number of approximately 1,000 downloads, and a small number of users.

3.4.1 Indirect competitors

The **drync** application lets users purchase wines by scanning the bottle's label or an image that contains the label. The app lets users rate each wine, save a list of favorite wines and choose from hundreds of wines from a variety of makers. The wines purchased through the app is sent to the client through a delivery service to a chosen address, whereas the payment is made with a credit card through your Google account. The company's website gets 17K visits a month on average, mostly though search engines (66.6%). The app itself has received over 20K downloads so far, while most users find the app page through social networks (52.1%)

The wine company **Vivino** defines itself as a wine community. Vivino launched its website and an app that collects information about wines and their ratings, while all updates are done by the users themselves. On the company website you can find articles and wine guides, lists of wine recommendations, and you can even purchase wines from manufacturers who have chosen to partner up with the company. Through the application you can scan wine labels and identify them for the purposes of buying, reading reviews, ratings and more. Winery owners themselves can add to the existing database and sell wines through it. The company promises it can help businesses leverage themselves through it and through its large user database. It also mentions that it will charge a low price of about 3 cents per click. The company website gets 1.9 million visitors monthly, mostly through search engines (60.25%) and through direct traffic (30.9%); the rest arrive through social networks, links etc. The app has had over 5 million downloads to date.

The **HelloVino** app defines itself as an aid in the purchase of wine for the general public. It provides tools and information to help in choosing a wine bottle for any event or holiday. The interface has a few functions which help you with the selection process, such as:

- Expert recommendations – the user enters the type of food they would like to pair with the wine, or alternately their general wine preferences, and the app recommends the "perfect" wine to match;
- Label scanner – the user can take a photo and scan the wine label to receive all the information regarding the type of wine, its rating and recommendations by other users;
- Speak to an expert – a function which allows users to contact a wine expert directly through the app and receive live help with their wine selection;

The application also allows every user to save data regarding past wine purchases, to upload a review and to participate in a wine lovers' community. The **HelloVino** app is available for IOS and Android and has received over 200,000 downloads. The company's business model is based on the Freemium model by which winery owners and wine manufacturers can enter information about their wines at no charge and promote them in search results at a charge.

3.5 Profile of potential customers

Xxxxx targets a diverse audience of customers who are looking to enjoy luxuries (such as dining at restaurants and purchasing or bringing their own wine) and save at the same time.

This target audience can be characterized as a mature audience of people aged 21-60, mostly reasonably technologically oriented with a high rate of Internet use.

- Geographical distribution – in the US;
- **Types of customers** – consumers only;
- An average level of technological orientation;
- **Income** – income earner at any salary level;
- Price sensitivity – moderate;

4. Business Strategy Plan

4.1 Description of the components for a successful venture

- **Attractiveness** – the company will attract a large number of users by presenting a very simple user interface to provide an excellent user experience;
- **Targeted marketing** – the marketing team at Xxxxx will allocate and divide the marketing budgets in a way that will create wide exposure to the site and the app, and will address the target audience as directly as possible, while stressing the savings element present in using the application;
- **A large restaurant database** – the company will create a strategical partnership with a large number of restaurants in different areas across the US, and through them leverage the value proposition to restaurant customers using the application;

4.2 Description of the ongoing competitive advantage

- **Innovative service** – the app will be the first to offer consumers real savings thanks to the lowering of the costs of wine and the corkage fees, by using the app on the one hand, and ensuring a flow of new customers to restaurants on the other hand;
- **User interface** – the application's user interface will enable users to receive information about corkage fees at various restaurants, recommended wines, and also information regarding discounts and benefits at the restaurants partnered with the company. The interface will be designed to be simple and easy for any customer to use;
- **Unique value proposition** – the application will create double value both for users who will enjoy the restaurant discounts, and the restaurants which will have a traffic increase;

4.3 Formulating strategic short and long term goals

4.3.1 Short-term goals

On the strategic level:

- To bring the company's services into the awareness of the desired target audience;
- To elevate the application to a level that enables users to receive information regarding corkage fees at chosen restaurants on the American east coast;
- To contact a large number of restaurants to create strategic partnerships;
- To lay the infrastructure and preparing the application for expansion into other regions and states in the US;

On the implementation level:

- To accumulate approximately 3,000 registered users on the app, out of which 20% register as members (on a monthly basis);

- To create strategic partnerships with over 100 restaurants across the US;
- To open headquarters in the US;

4.3.2 Long-term goals

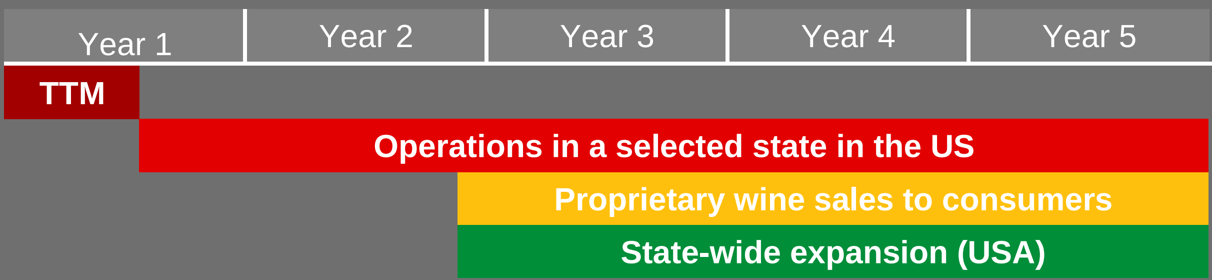
On the strategicl level:

- Expanding operations, offering information and discounts at more restaurants across the US;
- Collecting a large user database which will allow for the entry into more markets worldwide;
- Adding app services such as the scanning of wine labels, and other locally based services;

On the implementation level:

- Accumulating approximately 2 million registered users on the app;
- Opening service and support centers in additional countries;
- Forming strategic partnerships with approximately 800 restaurants across the US;

4.4 Determining the business development milestones



- **Time To Market** – is estimated at approximately 6 months starting at the founding of the company/initial financing for operations, at which time the entrepreneur will contact the people required for the different positions; that work with the company developing the application will commence; and all initial administrative issues regarding the launch of the business will be established;
- **Operations at a chosen state** – starting from the second half of the first year of operations, the application will begin its operations in a state of choice in which a partnership with restaurants has been established in the first 6 months of the first year;
- **Wine Sales** – beginning in the third year to the company's operations, the site and application will offer a selection of wines for direct purchase from makers and distributors who are interested in advertising themselves through it. It is assumed that the company will enjoy a small profit margin from the difference between the wine price and its cost;

- **Expansion to additional states** – starting at the third year of operations, the application will expand and begin marketing its services to more states in the US and other territories;

4.5 SWOT Analysis

The strengths and weaknesses of the venture are evaluated based on internal sources; opportunities and threats are evaluated based on external sources.

4.5.1 Strengths

- **User Interface** – the application will provide high quality UI and UX which will maximize simple and easy usability.
- **Unique Operations model** – there is currently no similar application that provides both information and savings in wine costs (or corkage fees) at restaurants.
- **Low usage cost** – the cost of the services provided by the company is expected to be lower than the costs associated with the consumer, thus proving an advantage for customers.

4.5.2 Weaknesses

- **Nice To Have** –the app provides a solution to an existing need but is not necessary and there are those who will prefer to save and simply pay the full price for uncorking wine than to pay a monthly subscription fee.
- **Partnerships with restaurants** – the company is relying on restaurants to notice the value offer and agree to reduce charges as well as wine prices; it is not guaranteed that this will occur, and much groundwork is required to maintain these partnerships.

4.5.3 Opportunities

- **An increase in the use of mobile apps** – throughout the years there has been an increase in the use of apps and mobile applications that offer a growing number of services which were not available before other than in physical form.
- **Social network** – the use of social networks is rapidly growing from year to year. Xxxxx provides a platform through which information can be shared as well as wine and restaurant reviews.
- **A preference towards premium wine** – current trends in the US indicate a change of tastes and an increase in the consumption of expensive wines as a sign of social status, even among the middle-class.

4.5.4 Threats

- **Copyright** – the model that the app is built upon can be copied; other companies may copy it and develop similar apps and business models.

- **Regulations** – there is a risk that regulatory limitations on creating a “cartel” or other sort of partnership between partners (restaurants) will serve as an obstacle for entering certain US markets.
- **Economic recession** – during periods of recession the disposable income of individuals decreases and there is a tendency to cut down on entertainment activities such as dining at restaurants and purchasing expensive wines.

4.6 Evaluating potential strategic partnerships

Strategic partnerships should be evaluated based on a high mutual value which can be achieved by signing different agreements. Here are the types of companies and sources we can partner with to raise general profitability:

- **High-end restaurants** – a possible partnership with expensive restaurants who will be interested in developing the technology field and enjoy an additional source of income. This is also expected to bring in a higher traffic of app users, as the restaurants will have an interest in persuading clients to download the application, while app users will save money immediately upon entering the restaurant;
- **Wine makers and wine distributors** – a partnership with wine manufacturers and distributors may raise awareness and create exposure to the app as well as to the restaurant, and also make it possible to sell wine to consumers. Makers and distributors will enjoy both advertising and exposure to their brand through this partnership, as well as an increase in wine sales;
- **Software firms** – partnering with companies who develop applications will help save the development and platform building costs, reduce marketing costs, and increase the number of active **Xxxxx** users;

5. Implementing the strategic plan

5.1 The business model

The company will operate as follows:

1. **Downloading the application at a fee -** customers interested in enjoying discounts and bonuses will download the application from the Goggle or Apple stores; a small fee will be applied for each download.
2. **Earning an instant bonus -** users will immediately receive a coupon for the purchase of wine upon signing up, or alternately a discount/credit for corkage fee (if they downloaded the app while dining at a partner restaurant). This will serve as an instant return on the cost of downloading the app.
3. **Creating a user profile -** after the user has downloaded the app, they will be asked to enter their personal information or link the app to their Google or Facebook accounts to enter and view the information contained in the app.
4. **Purchasing a monthly subscription -** users wanting to enjoy more bonuses and regular discounts at partner-restaurants will be asked to confirm their payment for a monthly subscription plan at a low cost of only a few dollars.
5. **Receiving regular bonus offers -** users who choose to buy a monthly subscription will enjoy discounts at all partner-restaurants and receive bonuses from nearby restaurants while using the app.

Company earnings will be derived from the following operation channels:

- **Payment for downloading the app -** payment for the initial download of the app at a small charge;
- **Payment for a monthly subscription -** payment for signing up for a regular monthly app subscription which will enable getting bonuses on a regular basis;
- **Sales of wine to consumers through the app -** starting in the third year of operations, the company will begin selling wine bottles to app users through distributors it will work opposite at each state;

5.2 Pricing strategy for the company's services

The pricing strategy is a crucial component in the marketing mix because it affects the demand for service.

The pricing of services the company will have to offer can be determined using a number of methods:

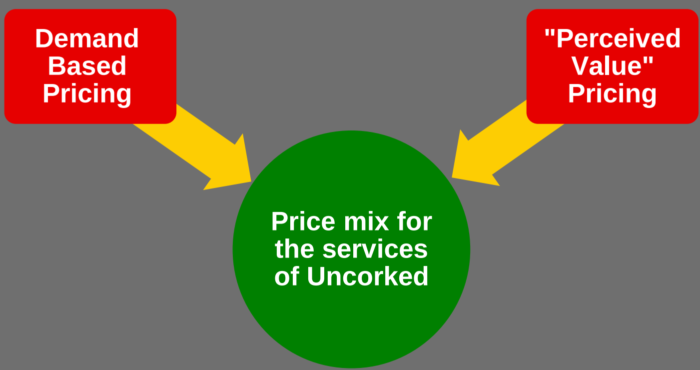
Cost Based Pricing
- In this method, after costs have been calculated and the desired profit has been determined, the price is set.

Demand Based Pricing
- In this method the company tries to set the price for its product based on its market demand. In this way the company raises and lowers prices according to demand.

Imitation Pricing
- Using this method the company imitates its competitors. Reviewing the competitor prices together with the positioning of company product compared to its competitors aids in the process of product pricing.

Perceived Value Pricing
- In this method, the company determines pricing based not on the actual product or service price but according to its perceived value in the eyes of the consumer according to the perceived link between price and quality.

<u>Pricing for the company's services will be performed by combining these 2 methods:</u>



5.2.1 Pricing for different services

The main service that the company offers is a benefit and a discounted corkage fee while dining at restaurants. However, it is expected that other benefits will be offered that will convince customers to use the application. Downloading the app will come at a charge and so will the sign-up for a monthly subscription. Additionally, in its third year, the company will suggest that users purchase selected wines through the app, which will be provided through local distributors in each of the operating countries.

- The cost of downloading the application – estimated at $1.99;
- The cost of a recurring monthly subscription – estimated at ~ $4 a month;
- Estimated wine bottle price – the wine bottle price has been estimated at ~ $13; the price of the bottle was estimated at ~ $9;

5.2.2 Examining customer value

To ensure that benefits provided at restaurants act as an adequate incentive for people signing up and paying for the application and a monthly subscription, we have conducted a customer profitability analysis with the assumption that using the app exempts customers from paying the corkage fee at the restaurant.Below is the breakdown of calculations for the company's clients' profitability:

Section	Sum/Amount
Average expense (on wine/corkage fee)	$10.00
Average visits in restaurants per month	3
Percent of the time people pay (for wine)	50%
Average monthly saving potential	**$15.00**
App purchase cost	$1.99
Monthly registration fee	$4.00
Savings 1st month	$13.00
Savings 2nd month	$15.00
Savings each subsequent month	$11.00
Average customer lifespan - year 1	1.46
Average customer lifespan - year 2	2.29
Average customer lifespan - year 3	3.66
Average customer lifespan - year 4	5.28
Average customer lifespan - year 5	7.61
Savings per customer - year 1	$19.94
Savings per customer - year 2	$31.20
Savings per customer - year 3	$46.32
Savings per customer - year 4	$64.10
Savings per customer - year 5	$89.74

5.3 Basic principles for the marketing plan

The marketing strategy will be implemented in four major ways -

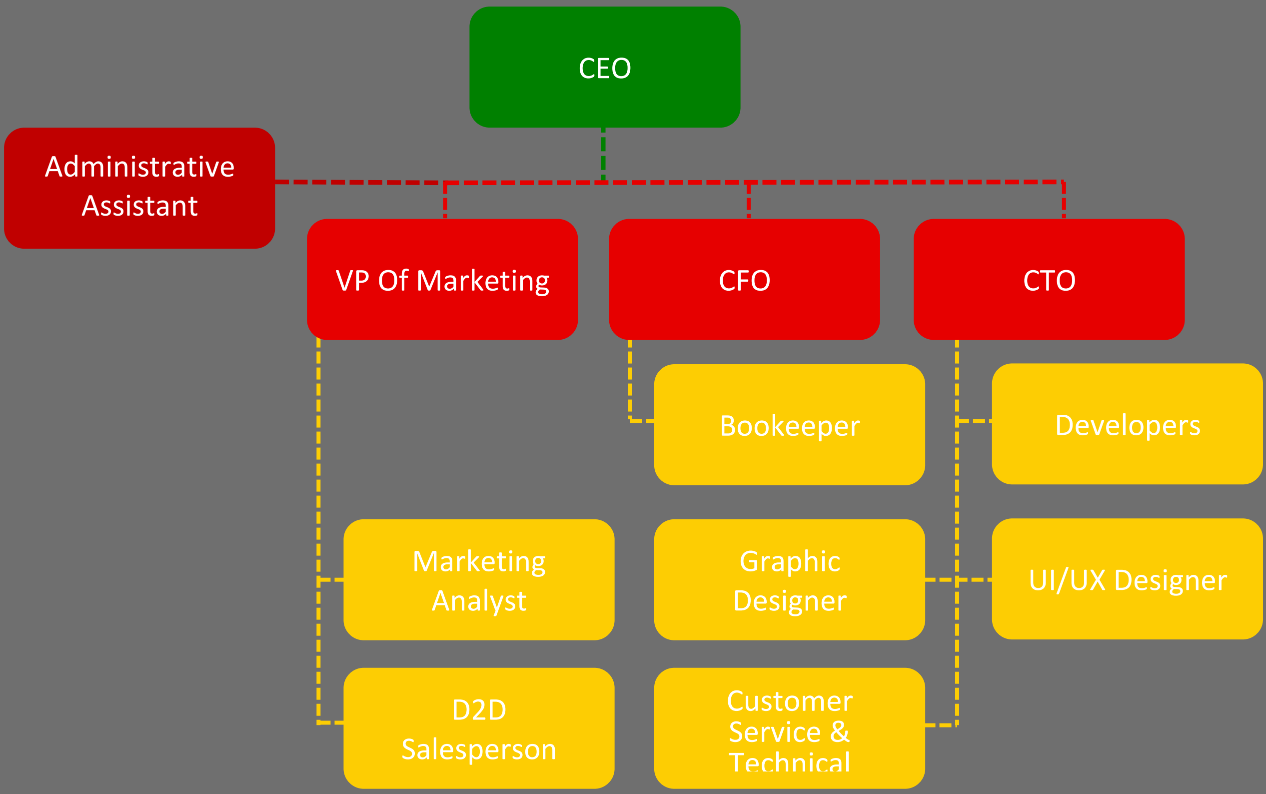
In order to create as much exposure as possible for the company's services, marketing efforts in online and offline media will be conducted while investing a large monthly budget in order to create as much exposure as possible. In addition, sales people will take an active role in the marketing efforts by approaching restaurants and food businesses in an attempt to enroll them in the company's database.

These are the media outlets that the marketing budget will address (budgets will be covered in the next chapter):

1. **Online** Advertising –
2. Advertising on **Google's** search engines – the company will advertise the different services it has to offer in Google's search engine by placing Google AdWords/Google AdSense banners. The ads will direct users to the company website where they will download the app.
3. Advertising on **Facebook** – advertising on social networks makes it easier to reach a potential audience relatively fast. In addition to active advertising on Facebook (banner advertising space), the company will have a content page which will inform Internet users about the services the company provides and emphasize the exclusive advantage of using **Xxxxx**.
4. Advertising through online banners – advertising through banners on leading content websites and on websites that are associated with dining and food.
5. **Mobile** advertising – directed advertising on other applications that include advertising space, and on websites adapted to mobile phones.
6. **Offline** advertising and PR – the company will invest part of its marketing budget in print advertising and in different PR activities for the purposes of creating better exposure among an audience that is less exposed to online advertising.
7. **Active marketing to restaurants** – the company will operate a line of sales people whose role will be to create strategical partnerships with restaurants at the different operating locations; the restaurants will be offered a chance to join a customer club and offer benefits, and the joining in in the company's profit divisions plan by which they can enjoy earnings from application members, will be emphasized to them.

5.4 Organizational structure

The following is the organizational structure offered for the venture:



5.4.1 Description of the responsibilities for the different roles

- **CEO** – responsible for the ongoing management of the company;
-
- **Chief Technology Officer (CTO)** – starting on the first day of operations, the person responsible for the technological aspect, including managing the interactions with the development firms, and in the future managing the development and operations team – programmers, designers etc.
- **CFO** – in the third year of operations; responsible for working opposite banks and investors, as well as for the strategical financial planning;
- **VP Of Marketing** – in the second half of the first year, responsible for the marketing and sales department on top of preparing an organized marketing plan;
- **Administrative assistant** – starting day one of the company operations, responsible for providing administrative and secretarial support to the company's managerial staff;
- **In-house accounting bookkeeper** – starting in the third year of operation, responsible for maintaining a list of financial activities and assisting the financial officer;

- **D2D (Door-to-Door) salesman** – starting from day 1 of the company's operations, responsible for contacting restaurants and business owners in the food and wine industry and adding them to the company's "partner" database;
- **Developers** – will be employed in-house starting in the third year of the company's operations, and will include an app developer for Android and iPhone, and a web developer;
- **UI designer** - will be employed in-house starting in the third year of the company's operations, responsible for the design of the user interface and adapting it to additional countries;
- **Graphic designer** - will be employed in-house starting in the third year of the company's operations, responsible for managing the design of the website and application;
- **Customer service and technical support** – starting in the second half of the first year of operations, responsible for providing service and ongoing support to clients of the company and providing technical support;
- **Marketing analyst** – starting in the third year of the company's operations, responsible for providing administrative support to the CEO of Marketing, performing analysis on the company's monthly marketing activity;

6. Financial Plan

All of the figures in this chapter are in US $ and do not include VAT.

6.1 Estimate of the number of clients using the application

The number of clients who sign up and pay for the various services offered on the app was examined and derived from the investing in online marketing, while allocating budgets to the marketing channels mentioned in chapter 5.

The following is the suggested annual advertising budgets and the mix of division between the various online marketing channels:

	Year 1	Year 2	Year 3	Year 4	Year 5
Annual budget- Facebook - 25%	36,000	72,000	96,000	120,000	144,000
Annual budget - Adwords - 30%	22,500	45,000	60,000	75,000	90,000
Annual budget - Mobile - 40%	22,500	45,000	60,000	75,000	90,000
Annual budget – Banners - 5%	9,000	18,000	24,000	30,000	36,000
Total monthly advertising budget	**15,000**	**15,000**	**20,000**	**25,000**	**30,000**
Total annual advertising budget	**90,000**	**180,000**	**240,000**	**300,000**	**360,000**

6.1.1 Estimate of the number of clients arriving as a result of online marketing

These are the premises behind the estimate of the number of clients arriving as a result of online marketing:

- **Facebook** – according to industry standards and to marketing budgets allocated for advertising in all of Google's advertising methods, CPC (cost per click) was estimated at ~ $0.5;
- **Google/Adwords/AdSense** - according to industry standards and to marketing budgets allocated for advertising in all of Google's advertising methods, CPC (cost per click) was estimated at ~ $2.0;
- **Mobile** advertising - according to industry standards and to marketing budgets allocated for advertising in all mobile phone advertising methods, CPC (cost per click) was estimated at ~ $2.0;
- **Advertising in relevant content sites** – **banners** - according to industry standards and to marketing budgets allocated for advertising in content websites relevant to the venture, CPM (cost per mille) has been estimated at ~ $10; assumed click-through rate (CTR) has been estimated at ~0.5%;

It has been estimated that total costs (CPM, CPC) will increase annually at a rate of ~ 1%.

This describes the number of website visits as a result of advertising through the various **online** marketing channels:

	Year 1	Year 2	Year 3	Year 4	Year 5
Facebook	72,000	142,574	188,217	232,942	276,762
Adwords	11,250	22,277	29,409	36,397	43,244
Mobile Web	11,250	22,277	29,409	36,397	43,244
Banners	4,500	8,911	11,764	14,559	17,298
Total app page visits from paid advertising	**99,000**	**196,040**	**258,798**	**320,295**	**380,548**
Average monthly visits – from advertising	16,500	16,337	21,567	26,691	31,712

It was assumed that in addition to paid advertising, a virality factor will come into play, which will attract users to the app page through "unpaid" advertising. According to estimates, the factor will stand at 0.5 at the beginning of operations and will rise up to 19.57 by the end of the fifth year of the company operations, due to the entry into additional US destinations and expanding operations.

These are the number of app page visits expected from virality, and the total projected visits:

	Year 1	Year 2	Year 3	Year 4	Year 5
App page visits from unpaid advertising	70,418	369,951	1,247,220	3,035,529	6,055,959
Total app page visits	**169,418**	**565,991**	**1,506,018**	**3,355,824**	**6,436,508**

In addition to the marketing channels mentioned above and to virality, which are designed to "attract" users to the company services, clients are expected to join the company as a result of active marketing opposite restaurants. The basic assumptions behind the number of clients who join is described in detail later in the plan.

6.1.2 Estimate of the number of restaurants enrolling in the company services

For the purposes of estimating the number of restaurants joining the application and offering discounts and benefits for users, a number of assumptions regarding salespeople's activity opposite the companies were drawn out; also it was assumed that there is a small percentage of restaurant owners who will be exposed to the company's various advertising and will decide to join its services.

This is the hypothesis for restaurants joining as a result of advertising exposure:

- It was assumed that ~ 0.02% of Internet users exposed to the company website and to the app page – will be restaurant owners interested in joining in as partners;
- It was assumed that ~ 30% of restaurant owners who approach the company in order to join it, will accept its offer and indeed join in as partners;

In order to bring institutional clients to an introductory lecture, it was assumed that a sales person whose job it is to contact restaurants and offer them to join in as partners with the company and offer benefits through the app.

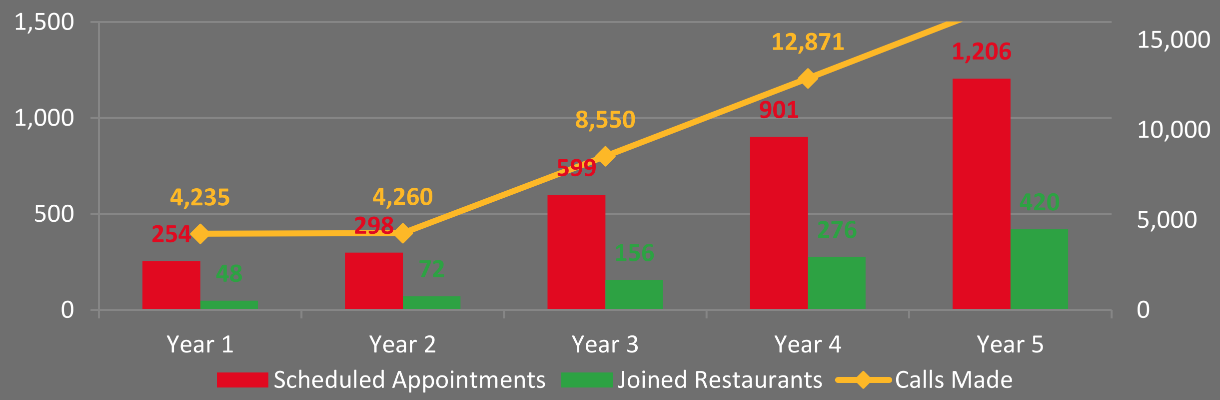
This is the hypothesis for estimating the number of restaurants who will join as a result of direct marketing which will be conducted through salespeople.

- **Number of conversations** – it was estimated that a company representative will conduct about 4 conversations per hour with restaurants in the course of a 4 hour work day; this assumption is based on the nature of the sales pitch which extends the typical conversation length. According to this, it is expected that an average of 350 sales pitches will take place each month.
- **Scheduling appointments**– it was assumed that in the course of the first 6 months of operations ~ 5% of restaurants contacted by phone will decide to schedule an appointment for the purpose of looking at a possible partnership with the company; this rate will increase later to ~ 7% a month.
- **Enrollment** – it was estimated that of the total of restaurant owners who scheduled an appointment, ~ 15% (in the beginning of operations) will join the company services during the first half year (before the launch of the application). It was assumed that after the launch, the rate of enrollment will increase to up to ~ 20% and that there will be an annual increase at a rate of ~ 15% due to an increase in app awareness.

Below are the restaurants expected to enroll and offer benefits on the app as a result of online advertising in each of the years 1-5 of the company operations:

Restaurant enrollment from advertising	Year 1	Year 2	Year 3	Year 4	Year 5
Restaurants requesting enrollment	34	113	602	1,342	2,575
Restaurant enrolling from advertising	10	34	181	403	772
Total restaurants enrolled from advertising	**10**	**44**	**225**	**628**	**1,400**

The following is a chart that describes the number of restaurants enrolling as a result of direct marketing in the years 1-5 of the enterprise:



Chapter 6

These are the total number of restaurants who will join the company in the years 1-5 of the enterprise:

	Year 1	Year 2	Year 3	Year 4	Year 5
Restaurants enrolling from online advertising	10	44	225	628	1,400
Restaurants enrolling from direct marketing	48	120	276	552	972
Total restaurants enrolled	**58**	**164**	**501**	**1180**	**2372**

6.1.3 Estimate of the number of clients downloading and signing up on the application

For the purposes of estimating the projected number of app downloads, estimations were made for the percentage of visitors (to the site and app page) who download the app as a result of paid advertising was conducted, and for the percentage of visitors who download the app as a result of unpaid advertising. Additionally, hypothesis regarding users who will download and install the app while dining at restaurants as a result of a recommendation at the restaurant, is included.

These are the hypothesis regarding the number of clients who download the application as a result of a recommendation the received at the restaurant:

- **Number of recommendations** – assuming that each restaurant will recommend downloading the app to ~ 30 customers every day;
- **Work days** – assuming that the average number of work days in a month at each restaurant is ~ 25 days;
- **Downloads** – assuming that ~ 10% of customers who received a recommendation while dining at the restaurants will choose to download the app. It was also assumed that this rate increases by up to 5% from year to year;

This table describes the hypothesis behind the rate of app downloads:

	Year 1	Year 2	Year 3	Year 4	Year 5
Average rate of installs from paid advertising	1.10%	1.50%	1.80%	2.10%	2.20%
Average rate of installs from unpaid advertising	21.60%	26.80%	34.00%	39.10%	41.50%

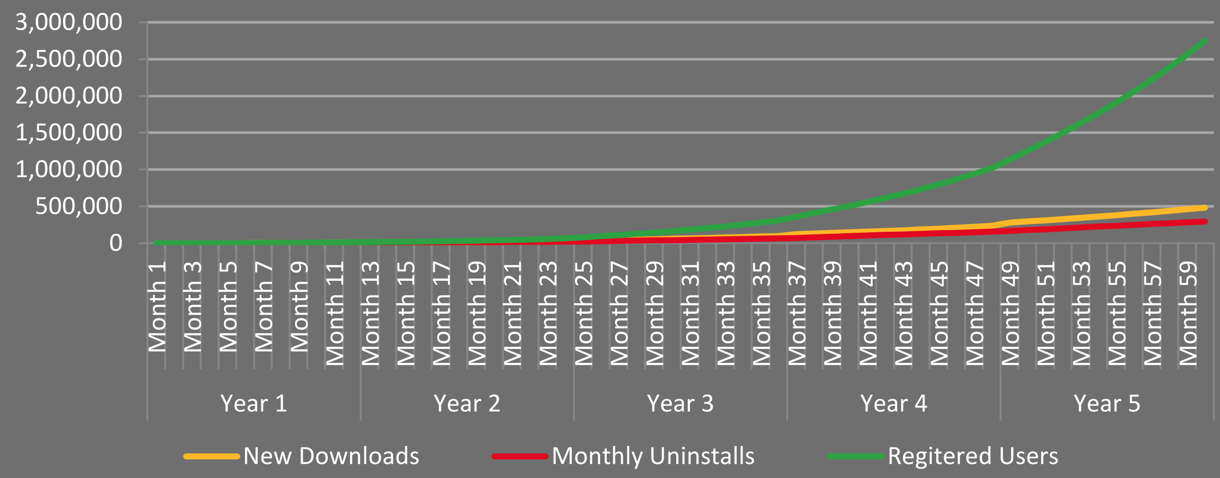
- Assuming that the installment rate from paid advertising stands at ~ 1% at the beginning of the enterprise, and that that installment rate from unpaid advertising will stand at ~ 20%;
- Assuming that installment rates will increase during the course of the first enterprise year at ~ 3% a month. In the second year, rates will increase by 2% month to month; and beginning in the fourth year, the monthly increase rate will drop to 0.5%;

Due to it being a new application, it has been assumed that **Xxxxx** will suffer high uninstall rates which will stand at ~ 80% from month to month, and will decrease by a rate of ~ 5% on a monthly basis in the first two years, and subsequently at a rate of ~ 3% on a monthly basis to a rate of ~ 11.2% by the end of the fifth year of enterprise.

This table describes in detail the number of registered users projected to install and register for the application:

	Year 1	Year 2	Year 3	Year 4	Year 5
Customers receiving a recommendation from the restaurant	232,485	1,021,532	3,029,124	7,658,342	16,174,969
Downloads – private customers from restaurant recommendations	18,523	107,261	333,961	886,549	1,966,078
Paid advertising downloads	1,067	2,848	4,769	6,783	8,556
Unpaid advertising downloads	15,353	101,428	431,014	1,190,267	2,519,663
Total annual downloads	34,944	211,538	769,743	2,083,599	4,494,297
Yearly uninstallments	23,337	158,208	524,451	1,376,451	2,763,977
Total number of registered users	11,607	64,937	310,229	1,017,377	2,747,698

The following chart describes the numbers for projected monthly downloads, monthly uninstalls, and number of registered users:



6.2 Earnings Forecast

6.2.1 Propositions for the number of customers paying for the download and subscription of Xxxxx

For the purposes of estimating the projected earnings for the Xxxxx application, it was estimated that ~ 17% of registered app users will acquire a subscription; it was also assumed that this rate will increase to up to ~ 1% on a monthly basis.

Below is the number of users expected to acquire a subscription through the application:

	Year 1	Year 2	Year 3	Year 4	Year 5
Monthly average of users who acquire a subscription	1,284	6,291	34,829	134,757	406,178
Total number of user members per year	7,702	75,490	417,949	1,617,088	4,874,139

Service prices (as detailed in chapter 5.2):

- Cost of downloading the application - **$1.99**;
- Cost of monthly subscription **- $4.00**;
- Average cost for a wine bottle - **$13.00**;

In addition, it is taken into account that through the marketing activity, members will begin to pay for a subscription only after 2 months, in order to enable them to experience that different services and benefits at an increasing number.

Below are the projected earnings from downloads and subscriptions in years 1-5 of the enterprise (in $, taxes not included):

	Year 1	Year 2	Year 3	Year 4	Year 5
Users pay for download	34,944	211,538	769,743	2,083,599	4,494,297
Users pay for subscription	4,001	56,655	324,849	1,325,598	4,108,531
Earnings from downloads	69,538	420,960	1,531,789	4,146,362	8,943,652
Earnings from subscriptions	16,005	226,618	1,299,397	5,302,391	16,434,126
Total earnings from downloads and subscriptions	85,543	647,578	2,831,187	9,448,752	25,377,777

- An additional working premise is that it will indeed be possible to implement a higher market potential, but this will depend on investing a higher amount of marketing budgets, and expanding the professional staff who run the marketing department.

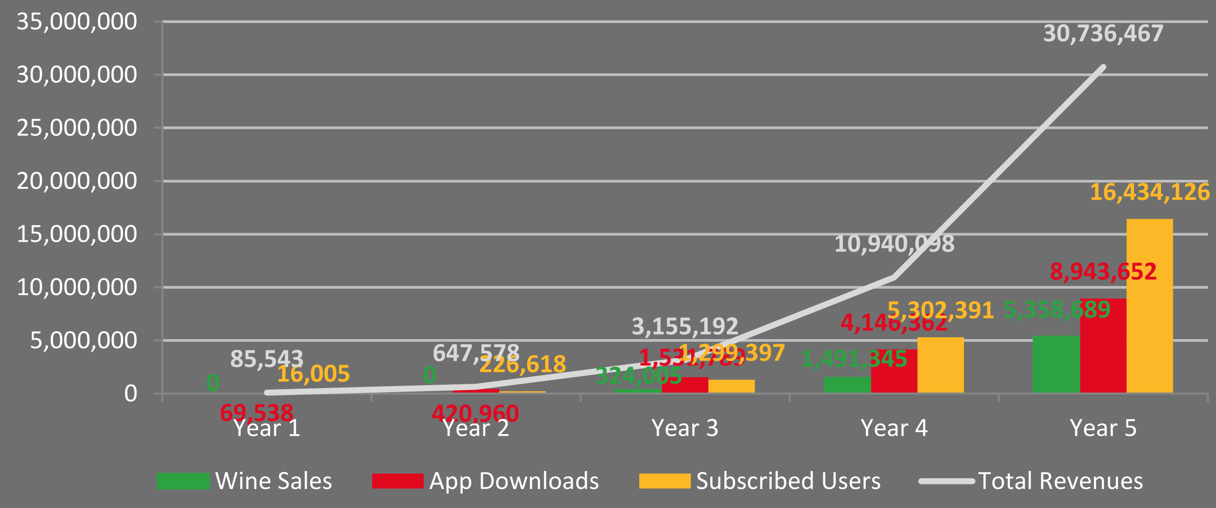
In the third year of the enterprise, app users will be able to purchase wines directly through the app. The wines will be distributed through local distributors working with the company and will be delivered directly to the customer's residence by order.

This is a description of the number of bottles expected to be purchased each year by app users:

	Year 1	Year 2	Year 3	Year 4	Year 5
Users who purchase wines	0	0	24,923	114,719	412,207
Earnings from selling wine bottles	0	0	324,005	1,491,345	5,358,689

6.2.2 Total Earnings

This chart describes the total company's earnings expected for years 1-5 of the company's operations (in $, taxes not included):



6.3 Expenses Forecast

6.3.1 Direct Expenses

The direct company expenses are divided into a number of types:

8. **Fees charged by app stores** – at a rate of ~ 30% of the app download earnings.
9. **Charges for member credit clearing** – at a rate of ~ 2% of earnings from members.
10. **Cost of distributors' wines**– estimated at an average of ~ $9 a bottle.
11. **Expenses from division of profits with restaurants** – it has been determined that ~ 20% of the earnings will be transferred to the restaurants.

The following table describes in detail the projected direct expenses for the years 1-5 of the enterprise (in $, taxes not included):

	Year 1	Year 2	Year 3	Year 4	Year 5
App store charges	20,861	126,288	459,537	1,243,909	2,683,096
Members' credit clearing charge	320	4,532	25,988	106,048	328,683
Cost of distributors' wines	0	0	224,311	1,032,470	3,709,862
Division of profits with restaurants	17,109	129,516	631,038	2,188,020	6,147,293
Total Direct Expenses	38,290	260,336	1,340,874	4,570,446	12,868,933
Relative to earnings	44.80%	40.20%	42.50%	41.80%	41.90%

6.3.2 Payroll Expenses

The following table provides a breakdown of the number of employees expected for years 1-5 of the company's enterprise:

	Year 1	Year 2	Year 3	Year 4	Year 5
Operations and technology staff					
CTO – Chief of Technology	1	1	1	1	1
Web Developer	0	0	1	1	1
Android & iPhone App Developer	0	0	1	1	1
Graphic Designer	0	0	1	1	1
UI Designer	0	0	1	1	1
Customer Service & Technical Support	1	1	7	26	60
Total	**2**	**2**	**12**	**31**	**65**
G&A Staff					
CEO	1	1	1	1	1
Branch Manager	0	0	1	2	3
CFO	0	0	1	1	1
Internal Bookkeeper	0	0	1	1	1

Administrative Assistant	1	1	1	1	1
Total	**2**	**2**	**5**	**6**	**7**
Marketing & Advertising Staff					
VP Of Marketing	1	1	1	1	1
Marketing Analyst	0	0	1	1	1
D2D Salespeople	1	1	2	3	4
Total	**2**	**2**	**4**	**5**	**6**
Total number of employees	**6**	**6**	**21**	**42**	**78**

- The number of employees indicated for each year is the projected number of employees for the year end;
- Customer service and technical support personnel – estimated as to the number of registered app users, as one service person for every 8,000 users,
- Branch managers – estimated for the opening of more service centers across the US;

Salary expenses (in $) for all company positions are described in detail in the following chart:

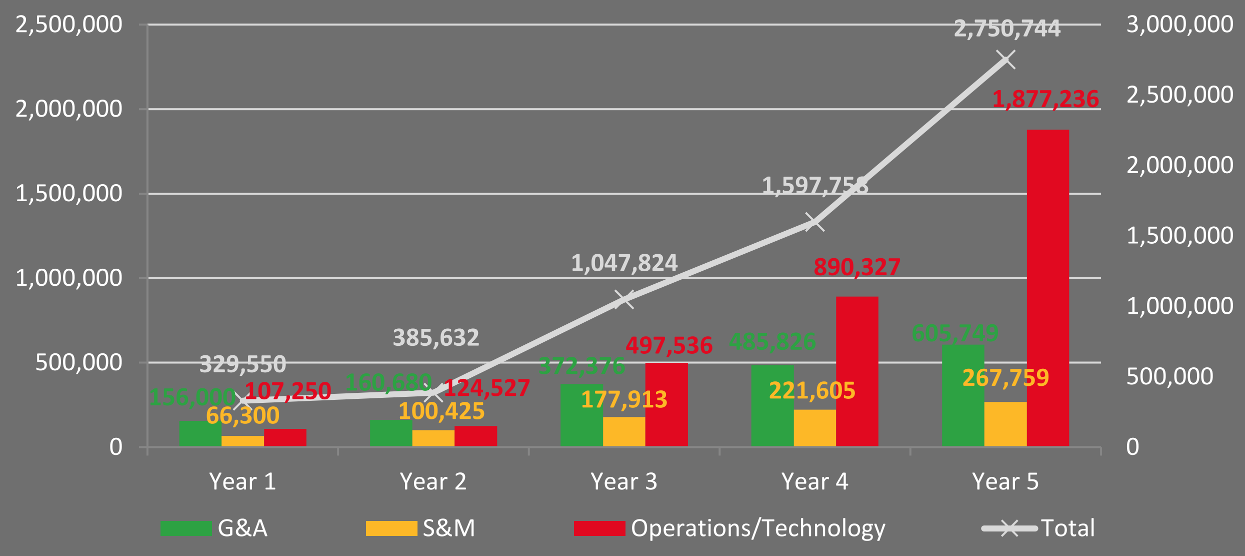
Role	Gross Salary	Employer Cost (130%)
Operations and technology staff		
CTO – Chief of Technology	$6,000	$7,800
Web Developer	$4,500	$5,850
Android & iPhone App Developer	$5,000	$6,500
Graphic Designer	$3,500	$4,550
UI Designer	$4,500	$5,850
Customer Service & Technical Support	$1,750	$2,275
Monthly Total	**$25,250**	**$32,825**
G&A		
CEO	$8,000	$10,400
Branch Manager	$6,000	$7,800
CFO	$4,000	$5,200
Internal Bookkeeper	$2,500	$3,250
Administrative Assistant	$2,000	$2,600
Monthly Total	**$22,500**	**$29,250**
Marketing & Advertising Staff		
VP Of Marketing	$4,000	$5,200
Marketing Analyst	$2,250	$2,925
D2D	$2,250	$2,925
Monthly Total	**$6,250**	**$8,125**

- Salaries refer to the first month, assuming an annual 3% increase in salary;
- Employer costs calculated at a rate of 130% of the total gross work salary;

Salary costs (in $) projected for years 1-5 of the enterprise are described in the following table:

	Year 1	Year 2	Year 3	Year 4	Year 5
Operations and technology staff					
CTO – Chief of Technology	93,600	96,408	99,300	102,279	105,348
Web Developer	0	0	74,475	76,709	79,011
Android & iPhone App Developer	0	0	82,750	85,233	87,790
Graphic Designer	0	0	57,925	59,663	61,453
UI Designer	0	0	74,475	76,709	79,011
Customer Service & Technical Support	13,650	28,119	108,610	489,733	1,464,625
Total Salary Operations and technology	**107,250**	**124,527**	**497,536**	**890,327**	**1,877,236**
G&A					
CEO	124,800	128,544	132,400	136,372	140,463
Branch Manager	0	0	99,300	204,558	316,043
CFO	0	0	66,200	68,186	70,232
Internal Bookkeeper	0	0	41,375	42,616	43,895
Administrative Assistant	31,200	32,136	33,100	34,093	35,116
Total Salary G&A Staff	156,000	160,680	372,376	485,826	605,749
Marketing & Advertising Staff					
VP Of Marketing	31,200	64,272	66,200	68,186	70,232
Marketing Analyst	0	0	37,238	38,355	39,505
D2D Salespeople	35,100	36,153	74,475	115,064	158,021
Total Salary Marketing & Advertising	**66,300**	**100,425**	**177,913**	**221,605**	**267,759**
Total Annual Salary Expenses	**329,550**	**385,632**	**1,047,824**	**1,597,758**	**2,750,744**

The following chart describes the distribution of salary expenses by department:



6.3.3 Operating/Technology expenses

The following chart describes the operating expenses for the years 1-5 of the company's operation (in $, taxes not included):

	Year 1	Year 2	Year 3	Year 4	Year 5
Operating payroll	107,250	124,527	497,536	890,327	1,877,236
Information security services	6,000	15,600	20,280	26,364	34,273
Website and Application hosting	3,000	7,800	10,140	13,182	17,137
Server maintenance	600	4,200	14,700	24,000	24,000
Technology depreciation	47,171	65,765	77,754	47,148	46,056
Miscellaneous & contingencies	8,201	10,895	31,020	50,051	99,935
Total expenses operation/technology	**172,222**	**228,786**	**651,430**	**1,051,072**	**2,098,637**

- Due to all the ongoing expense sections, an annual increase at the rate of 3% was assumed, unless otherwise indicated;
- Information security services – assumed at ~ $1,000 a month , with a yearly increase of ~ 30%;
- Site hosting – website and application hosting expenses estimated at ~ $500 a month, with an annual increase of ~ 30%;
- Server maintenance - expenses for maintenance fees for server hosting were estimated at ~ $100 a month, with an annual increase of ~ 250%; expenses of server hosting starting in the fourth year estimated at ~ $2,00 a month, with no annual increase;
- Technology depreciation – due to investing in technology as detailed later in this plan, in section 6.4;
- Miscellaneous and contingencies - estimated at a rate of 5% of total of operating/technology monthly expenses;

6.3.4 General & Administrative Expenses

Below is a breakdown of general and administrative expenses for years 1-5 of the company's operations (in $, taxes not included):

	Year 1	Year 2	Year 3	Year 4	Year 5
G&A salaries	156,000	160,680	372,376	485,826	605,749
Rent and management fees – main headquarters	36,000	37,080	126,000	129,780	133,673
Water and property taxes –main headquarters	8,400	8,652	29,400	30,282	31,190
Electricity - main headquarters	6,000	6,180	15,450	15,914	16,391
Rent and management fees – additional states	0	0	25,200	50,400	75,600
Water and property taxes – additional states	0	0	5,880	11,760	17,640
Electricity– additional states	0	0	3,600	7,200	10,800
Communications	4,500	5,400	15,975	29,175	59,100
Computerization	4,500	5,400	15,975	29,175	59,100
Accounting	4,800	6,000	7,500	9,375	11,719
Bookkeeping	3,600	4,500	0	0	0
Legal	9,000	9,270	11,588	14,484	18,105
Insurances	1,800	1,854	3,600	4,800	6,000
Office, refreshments, mail	3,000	3,090	4,800	6,000	7,200
Administrative depreciation and misc.	1,390	1,390	4,265	8,130	14,470
Misc & contingencies	23,899	24,950	64,161	83,230	106,674
Total expenses – G&A	**262,889**	**274,446**	**705,769**	**915,531**	**1,173,412**

- Due to all ongoing expense sections, an annual increase at a rate of 3% was assumed, unless otherwise indicated;
- Rent + administrative fees for main headquarters – assumed that will be rented starting the first date of operation, main offices, sized 100 square meters, at the beginning of operations, and subsequently moving to offices sized 350 square meters, starting in the third year of operations, rental fees estimated at ~ $30 a square meter for rent and management fees;
- with the move to bigger main offices;
- Municipal taxes and water – main headquarters – estimated at ~ $7 per square meter;
- Electricity – main headquarters – estimated at ~ $500 a month, with an increase of ~ 50% in the third year of operations, with the move to new and bigger offices;

- Rent + management fees, other countries – assumed that offices will be rented in other states in the US in order to penetrate local markets easily; it is assumed that starting in the third year of operations, each year new offices will open in an additional state; rental expenses is assumed at ~ $30 per square meter for offices sized 70 square meter in each state;
- Municipal taxes and water – additional states – estimated at ~ $7 per square meter for each additional state;
- Electricity – additional states – estimated at ~ $300 a month for each office in each additional state;
- Communications – communications expenses estimated at ~ $75 for each employee per month;
- Computerization – an expense for computerization services was estimated at ~ $75 for each employee per month;
- Accounting – expense estimated at ~ $400 a month, with an annual increase of ~ 25%;
- Bookkeeping – it was assumed that prior to the third year, external bookkeeping services will be used at a cost of ~ $300 a month, with an annual increase of ~ 25%;
- Legal – expenses estimated at ~ $750 monthly at an annual increase of ~ 25% due to the need to acquire regulation approvals in additional countries and ongoing registration needs;
- Insurances – payment for business and operating insurance, expenses estimated at ~ $150 monthly to start, $300 a month in year 3 (with the move to bigger offices), $400 a month in year 4, and $500 a month in year 5 (with the opening of offices in additional countries);
- Administrative, refreshments, mail - expenses for administrative needs estimated at ~ $250 a month at the start, $400 a month in year 3 (with the move to bigger offices and the opening of new offices), $500 a month in year 4 (with the opening of offices in additional countries);
- Administrative depreciation and miscellaneous – due to investing in furniture, a switchboard and variable, as detailed later in this plan, in section 6.4;
- Miscellaneous and contingencies – estimated at a rate of 10% of total of general and administrative monthly expenses;

6.3.5 Marketing and Sales Expenses

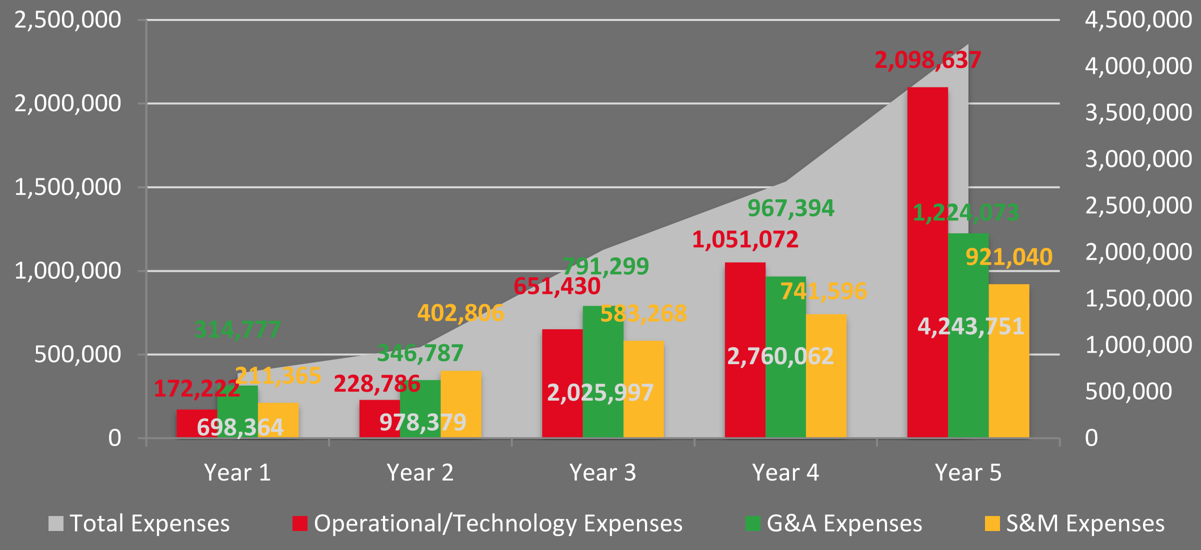
The following is a breakdown for management and general expenses for the years 1-5 of the company's enterprise (in $, taxes not included):

	Year 1	Year 2	Year 3	Year 4	Year 5
Marketing and Sales salary	66,300	100,425	177,913	221,605	267,759
Online advertising	90,000	180,000	240,000	300,000	360,000
SEO budget	18,000	27,600	31,740	36,501	41,976
Offline advertising	18,000	50,400	70,560	98,784	138,298
Public Relations	9,000	25,200	35,280	49,392	69,149
Miscellaneous & Incidentals	10,065	19,181	27,775	35,314	43,859
Total marketing and sales expenses	**211,365**	**402,806**	**583,268**	**741,596**	**921,040**

- Due to all ongoing expense sections, an annual increase at the rate of 3% unless otherwise indicated;
- **Online advertising** – starting in the second half of the first year, as described in detail in the beginning of this chapter in section 6.1;
- **SEO budget** – starting in the second half of the first year, expenses for promoting the Internet site and application through search engines was estimated at $5,000 in the first two months of enterprise, and subsequently at ~ 2,000 a month, with an increase of ~ 15% year-to-year;
- **Offline advertising** – starting in the second half of the first year, an expense for outdoor advertising, print and magazine advertising in relevant fields, has been estimated at ~ $3,000 per month and increased at an annual rate of ~ 40%;
- **PR** – starting in the second half of the first year, an expense for public relations and promotions through participating in TV shows, paid articles and more, has been assumed at ~ $1,500 monthly and increased at an annual rate of 40%;
- Miscellaneous and incidentals – assumed at a rate of ~ 5% of total monthly marketing and sales expenses;

Section	Year 1	Year 2	Year 3	Year 4	Year 5
Total monthly depreciation - Technology	3,931	5,480	6,480	3,929	3,838
Total monthly depreciation – G&A	115	115	234	344	523
Total monthly depreciation	**7,978**	**11,077**	**13,314**	**8,535**	**8,882**
Total annual depreciation	**95,732**	**132,919**	**159,773**	**102,426**	**106,583**

The following chart describes the distribution of expenses for the years 1-5 of the company's enterprise:



6.3.6 Finance expenses

Finance expenses were estimated for bank fees and interest for lines of credit at up to ~ 600$ a month, with a yearly increase of ~ 25%.

The following is the finance expenses projected for the years 1-5 of the company's enterprise:

	Year 1	Year 2	Year 3	Year 4	Year 5
Financing expenses	7,200	9,000	11,250	14,063	17,578

6.3.7 Income tax

Income tax expenses were calculated based on an average corporate income tax rate in the US, at a rate of ~ 35%.

6.4 Investments

6.4.1 Projected investments

The following is the projected investments needed in years 1-5 of operations (In $):

Section	Year 1	Year 2	Year 3	Year 4	Year 5
Operations/Technology					
Outsourced Website Development	30,000	7,500	0	0	0
Outsourced Application Development	75,000	25,000	0	0	0
Systems Updates and Modifications	15,750	20,625	20,625	20,625	20,625
Computers & Software	4,500	0	11,250	15,750	27,000
Printers, scanners and additional technological devices	20,000	0	5,000	5,000	5,000
Miscellaneous - technology	7,263	2,656	1,844	2,069	2,631
Total technology investments	**152,513**	**55,781**	**38,719**	**43,444**	**55,256**
General & Administrative					
Office furniture	9,000	0	22,500	31,500	54,000
Switchboard	2,500	0	2,500	2,500	2,500
Miscellaneous - G&A	1,150	0	2,500	3,400	5,650
Total General & Administrative investments	**12,650**	**0**	**27,500**	**37,400**	**62,150**
Total Investments	**165,163**	**55,781**	**66,219**	**80,844**	**117,406**

- Outsourced Website Development investments were estimated at $30,000 in year 1 and $7,500 for the second year;
- Outsourced Application Development investments were estimated at $75,000 in year 1 and $25,000 for the second year;
- Systems Updates and Modifications were estimated at 10% of the cumulative investment in design and development of the app and website;
- Computers & software were estimated at $750 per new employee;
- Miscellaneous technology investments were estimated at 5% of the forecasted investments;
- Office furniture costs were estimated at $1,500 per new employee;
- Switchboard costs were estimated at $2,500 for each office;
- Miscellaneous G&A investments were estimated at 10% of the forecasted investments;

6.4.2 Depreciation Expenses

Depreciation expenses were calculated according to standard depreciation regulations, and were generally divided into 3 categories:

- 3 depreciation years – for computers, software and intellectual property;
- 6.67 depreciation years – for switchboard, printers, scanners and additional technological devices;
- 10 depreciation years – for office furniture and other office expenses;Following are depreciation expenses projected for years 1-5 of the enterprise:

7. Financial Reports

7.1 Profit and loss report projection (in $, taxes not included)

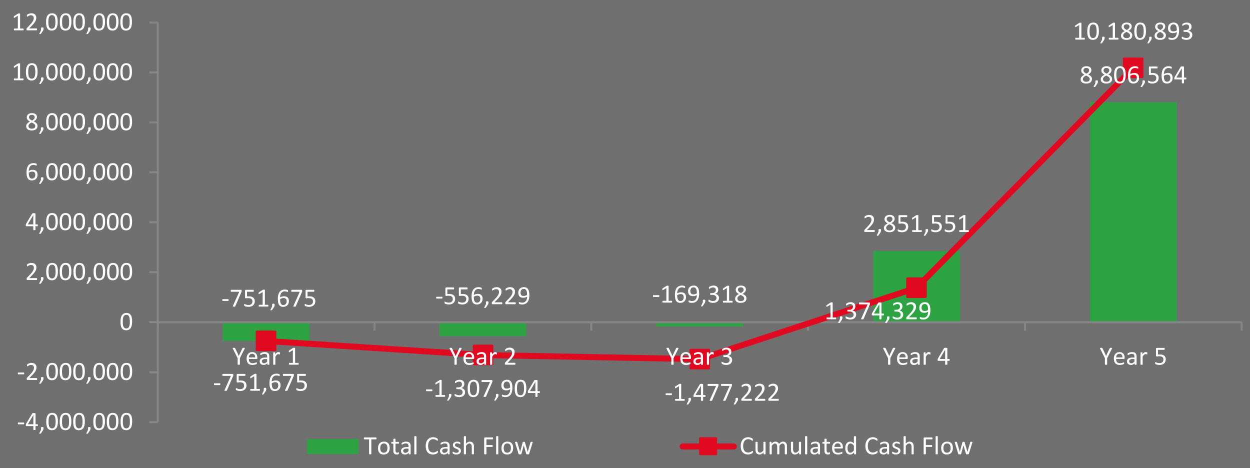
	Year 1	Year 2	Year 3	Year 4	Year 5
Revenues	**85,543**	**647,578**	**3,155,192**	**10,940,098**	**30,736,467**
Direct Expenses	38,290	260,336	1,340,874	4,570,446	12,868,933
Gross profit	**47,253**	**387,242**	**1,814,318**	**6,369,652**	**17,867,534**
%	**55.20%**	**59.80%**	**57.50%**	**58.20%**	**58.10%**
Operating Expenses					
Operating/technology expenses	172,222	228,786	651,430	1,051,072	2,098,637
%	201.30%	35.30%	20.60%	9.60%	6.80%
G&A Expenses	314,777	346,787	791,299	967,394	1,224,073
%	368.00%	53.60%	25.10%	8.80%	4.00%
Marketing and sales expenses	211,365	402,806	583,268	741,596	921,040
%	247.10%	62.20%	18.50%	6.80%	3.00%
Total expenses	**698,364**	**978,379**	**2,025,997**	**2,760,062**	**4,243,751**
%	**816.40%**	**151%**	**64%**	**25%**	**14%**
Operating profit/loss	**-651,111**	**-591,137**	**-211,679**	**3,609,590**	**13,623,783**
%	**-761.20%**	**-91.30%**	**-6.70%**	**33.00%**	**44.30%**
EBITDA	**-555,379**	**-458,218**	**-51,906**	**3,712,016**	**13,730,365**
	-649.20%	**-70.80%**	**-1.60%**	**33.90%**	**44.70%**
Financing expenses	7,200	9,000	11,250	14,063	17,578
%	8.40%	1.40%	0.40%	0.10%	0.10%
Pre-Tax Profit/Loss	-658,311	-600,137	-222,929	3,595,528	13,606,204
Cumulative Pre-Tax Profit/Loss	-658,311	-1,258,448	-1,481,377	2,114,150	15,720,355
Income tax	0	0	0	739,953	4,762,172
Net profit (loss)	**-658,311**	**-600,137**	**-222,929**	**2,855,575**	**8,844,033**
%	**-769.60%**	**-93%**	**-7%**	**26%**	**29%**
Cumulative profit (loss)	**-658,311**	**-1,258,448**	**-1,481,377**	**1,374,198**	**10,218,231**

7.2 Cash flow report forecast (in $)

	Year 1	Year 2	Year 3	Year 4	Year 5
Cash Flow - Ongoing Activity					
Net Profit (Loss)	-658,311	-600,137	-222,929	2,855,575	8,844,033
Depreciation	95,732	132,919	159,773	102,426	106,583
Cash Flow from Ongoing Activity	-562,579	-467,218	-63,156	2,958,001	8,950,615
Cash Flow - Capital Expenditure (Investment Activity)					
New Investments	165,163	55,781	66,219	80,844	117,406
Additional Investments (25% of Depreciation)	23,933	33,230	39,943	25,606	26,646
Cash Flow from Investment Activity	189,095	89,011	106,162	106,450	144,052
Annual Cash Flow	-751,675	-556,229	-169,318	2,851,551	8,806,564
Cumulative Cash Flow	-751,675	-1,307,904	-1,477,222	1,374,329	10,180,893

The Company's negative cumulative cash flow is projected for the first three years of activity. The investment necessary for the establishment and operation of the Company is approximately **$1.5 million**.

The following chart describes the cash flow level for each of the years and the cumulative cash flow:



7.3 Net Profit Value (NPV)

The following is the discounted cash flow for the forecasted period, based on a discounted rate of 25% (in $):

	Year 1	Year 2	Year 3	Year 4	Year 5
25%	-601,340	-355,987	-86,691	1,167,995	2,885,735
cumulative	-601,340	-957,326	-1,044,017	123,978	3,009,713

- ROI, based on a cap rate of 25%, is estimated at ~ **4** years.

8. Valuation Estimate

The current value of the capitalizing cash flow method– DCF:

This method assumes that the main goal of the investor is to maximize his/her cash return. This return includes cash earnings after deducting cash investments required for investment throughout the years to ensure future earnings.

8.1 Sensitivity analysis on the discounted of cash flow

Cap Rate	Year 1	Year 2	Year 3	Year 4	Year 5	Total
29%	-582,694	-334,252	-78,874	1,029,727	2,465,233	**2,499,140**
27%	-591,870	-344,863	-82,659	1,096,140	2,665,556	**2,742,305**
25%	**-601,340**	**-355,987**	**-86,691**	**1,167,995**	**2,885,735**	**3,009,713**
23%	-611,118	-367,657	-90,989	1,245,835	3,128,102	**3,304,173**
21%	-621,219	-379,912	-95,576	1,330,269	3,395,311	**3,628,875**

8.2 Growth rate analysis to infinity according to the Gordon model

Cap Rate	1.50%	3.00%	4.50%
29%	**9,098,950**	9,766,114	10,514,972
27%	10,609,960	11,439,679	12,380,028
25%	12,463,918	**13,510,485**	14,710,209
23%	14,767,552	16,109,726	17,669,550
21%	17,673,032	19,428,727	**21,503,639**

8.3 Sensitivity Analysis on the Discount Rate

Cap rate	1.50%	3.00%	4.50%
29%	**11,598,090**	12,265,255	13,014,112
27%	13,352,265	14,181,984	15,122,333
25%	15,473,631	**16,520,198**	17,719,922
23%	18,071,725	19,413,899	20,973,723
21%	21,301,906	23,057,601	**25,132,514**

The value of activity derived from the discounted cash flow using the Gordon Growth Model is **approximately $16.5 million.**

GONOGO®
Business Plans

6 Hachoshlim st. Herzliya Pituach, 46724

Tel: +972-9-951015 | Fax: +972-9-9515014