

ECOGYM

BUSINESSPLAN



BAIXARDOC

Executive Summary

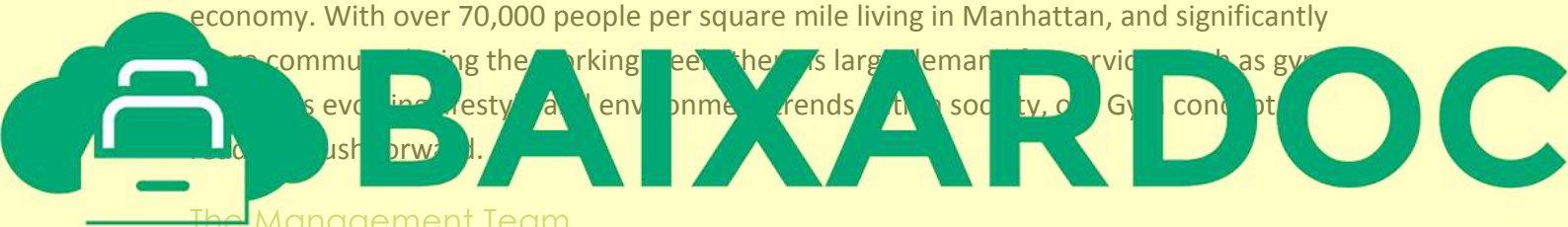
Our mission is to create a global chain of fitness centres that use eco-friendly product innovation, while maximising the fitness experience. We will be recognised for our unique ability to provide an incomparable service and respected for our passion to make the world a greener, fitter place.

The EcoGym Service

We are looking to expand our current business which offers a full gym service which is environmentally friendly. Our unique EcoGym in the City of London offers several additional services which help make the lives of busy individuals easier, whilst maintaining a healthy lifestyle. We are a 24 hour gym with green credentials, which offers on-site laundry service, and our own café and bar. Our machines are adapted to be able to produce electricity, when they are in use by customers. We are looking to bringing this service to the US market, and have identified New York as a great location.

The Market

New York is one of the most prosperous cities in the world. Wages are over double the national average and growing. The number of people employed is increasing as is the local economy. With over 70,000 people per square mile living in Manhattan, and significantly



The Management Team

We believe that the team that has been assembled to complete and oversee this expansion of EcoGym has the right variation of skills to bring the expertise needed for the transition to be a success. With the combination of academic and real world experience in managing businesses of this size, being involved in the health industry and having worked with green energy in the past the team cover all bases as far as having the knowledge required to succeed in this sector. A key attribute to the opening of the new gym will be the relocation of an experienced member of the team that started the gym in London, providing experience to the team in New York on the general process of starting a new gym. A day to day manager will follow shortly after to monitor the competition, initial opening and general running of the gym from then on. Having two relocating members of staff mean the company does not have to rely on training new, inexperienced staff.

Business Operations

Gym memberships will be the main revenue for our business. There is a large initial outlay at the start of the project but once the gym is up and running the largest costs are for staff and maintenance. The time scale set on this project seeks to have financing completed by June 2014 with the gym set to open in January 2015, with an advertising campaign to kick off in

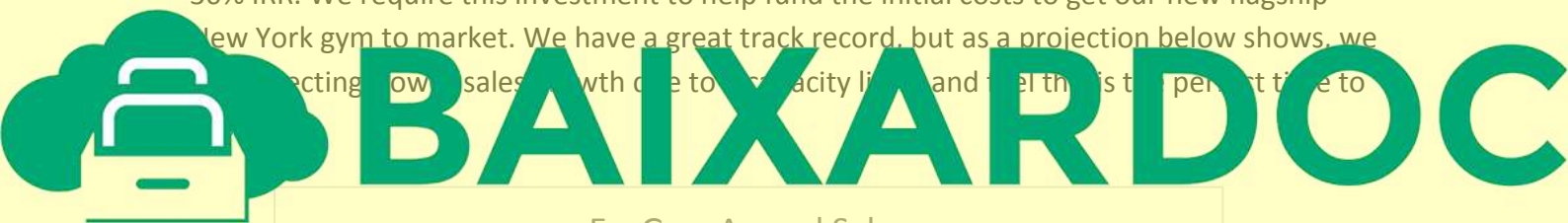
late November 2014. Included in our projections for operations are subsidies and tax breaks from the government due to nature of the gym being environmentally efficient. EcoGym New York will feature as a separate business to the UK gym, but together will come under EcoGym LTD, to maintain a business structure where they are considered part of the same brand but have completely separate day to day running.

Financial Projections

Using our London accounts, we have created projections for 5 years of operation of the New York business. Using a Discount Cashflow (DCF) model for 5 years, we project future value of US business at \$2.6 million. We expect to generate an accumulated net profit of \$4.1 million by the end of year 5 including, a net profit of \$1.1 million in year 5. Simultaneously our EcoGym London will be operating, and combining both businesses, we value EcoGym LTD at \$8.1 million, running a 5 year DCF for the future business of London.

Finance Required and Use

We require an investment of \$600,000 and in return we will be giving 30% of our whole business EcoGym LTD which will include EcoGym London and EcoGym New York. This gives the VC firm over 30% IRR on investment over 5 years, as we calculate 27.55% equity to give 30% IRR. We require this investment to help fund the initial costs to get our new flagship New York gym to market. We have a great track record, but as a projection below shows, we are projecting slow sales growth due to capacity limits and feel this is the perfect time to



Contents

Executive Summary.....	1
The EcoGym Ideology	4
The Market.....	6
Market Analysis	6
Marketing Plan.....	8
Pricing	8
Distribution Channels	9
Promotion.....	9
Competition	10
SWOT Analysis.....	11
Risks and Sensitivity Analysis	13
The Management Team.....	14
Business Operations.....	15
Financial Projections	16
Investment and Premises Costs and Revenue	16
Capital Expenditure, Leasing, Loan and Notting Square Costs and Revenues	17
Salaries, Utility Bills and other costs.....	17
Amount and use of finance required and exit opportunities.....	19
Appendix 1- Profit and Loss account for New York	21
Appendix 2- Monthly Costs New York	22
Appendix 3- New York monthly revenues	23
Appendix 4- Estimation of electricity generation, cost and CO2 reductions.	24
Appendix 5- UK profit and loss account.....	25
Appendix 6- E-Mail correspondence with New York advertising firm	26
Appendix 7- E-Mail correspondence with New York property firm	28
Bibliography	30

The EcoGym Ideology

Our mission is to create a global chain of fitness centres that use eco-friendly product innovation, while maximising the fitness experience. We will be recognised for our unique ability to provide an incomparable service and respected for our passion to make the world a greener, fitter place.

EcoGym is a successful gym business based in London. We operate our gym with two main thoughts, our customers and the environment. This led us to creating the most environmentally friendly gym, while maintaining a superior level of customer service over our competitors. This combination have proved to be disruptive to the London gym market as we have seen gyms in a close radius to ours close down, and others further afield copying elements of our ideology.

One of our Unique Selling Points (USP) is that where possible our gym equipment is fitted with electricity generators, meaning as our customers are working out they are generating electricity. Our projections as seen in appendix show that we estimate a CO2 reduction of over 13,000KGs per year due to the use of our equipment, which is equivalent to burning almost 6,000 litres of petrol.

Financially this leads to a decrease in our electricity bills of over \$4,000 per annum, while increasing our corporate image. It is not just the electricity generation that gives us green energy, we always endeavour to make the right choices when using our products and supplies right from the gym.

As a company we aim to be completely carbon neutral. We do this firstly by ensuring we use the minimum energy possible, from using low energy light bulbs, efficient boilers etc. As it is not possible to use no electricity we aim to offset our carbon footprint. We do this by carefully monitoring our energy usage on a quarterly basis. We are in contact with energy providers as to the proportion green energy as supposed to fossil fuels. We then calculate the total amount of carbon we had used over the last quarter and then offset it. We found this to be very cost effective and goes hand in hand with our brand image.

Unfortunately as we are in rented properties we are unable to carry out extensive work to make our building greener, such as solar panels. However we feel that the offsetting goes far enough in terms of both reducing our impact on the environment and increasing public perception of our company.

By using electricity generating equipment we can reduce over \$4,000 from our annual electricity bill and as a result are able to finance our carbon offsetting. These further ties in with the idea of being a green environmentally efficient business increase the self-sustainability. We aim to publish

We also pride ourselves on the services we offer to our customers. A café selling food, drinks and sports nutrition and a launderette are two key features that set us apart from our competitors. Membership in our London gym costs from £80 a month, and in New York from \$70. These rates ensure we are heavily competitive in our areas.

The success of our gym in London has led us to expand further afield. For reasons addressed in this business plan we are seeking investment to expand to New York. We have outlined the costs and reasoning of expanding to lower Manhattan, New York. In the long term we are envisioning opening a third gym in the United States, however we believe expanding one gym at a time is the best method.

Investors in our gym will be financing, amongst other sources, our initial expansion to New York and in return will hold equity in our holding company.



BAIXARDOC

The Market

In this section we have analysed the market for our EcoGym in New York. Assessing as many factors as we see applicable.

Market Analysis

Health clubs and gyms are a mature industry with a steady revenue increase of 3.6% in 2012(Walsh 2013). Environmentalism, however, is a growing trend. It is this fact that ensures our business will experience abnormal growth when compared to the more generic gyms.

A study by the Carbon Trust found that over 65% of consumers believe it is important to buy from environmentally responsible companies (Carbon Trust 2012). Furthermore 92% of business leaders believe that green growth presents an opportunity for their business, a market worth over £3.2 trillion worldwide (Carbon Trust 2012).

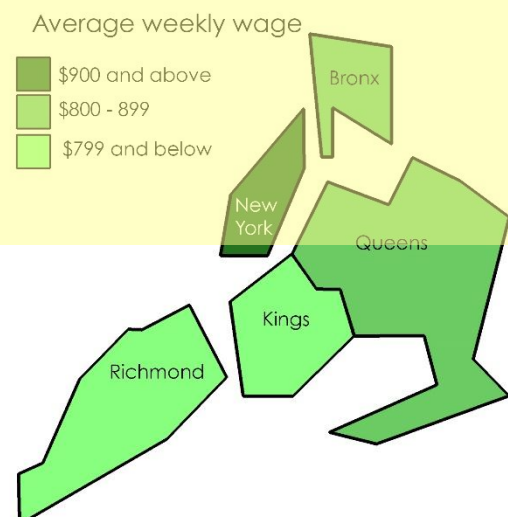
These statistics focus on Manhattan Island rather than New York City, as NYC also includes Staten Island, Brooklyn, Queens and the Bronx which are areas perceived too far away to be strictly relevant.

The population of Manhattan Island is 1,585,872 (United States Census Bureau 2010) of which 73% are in our target age range of 20-35. The population of Manhattan increased to 1.6 million during the Spring of 2013 (Miles & Qian 2013). Manhattan Island is the most dense city in the US in terms of population, with almost 70,000 people per square mile (U.S. Census Bureau 2010). With the population also drastically increasing during the working day, so too would the density.

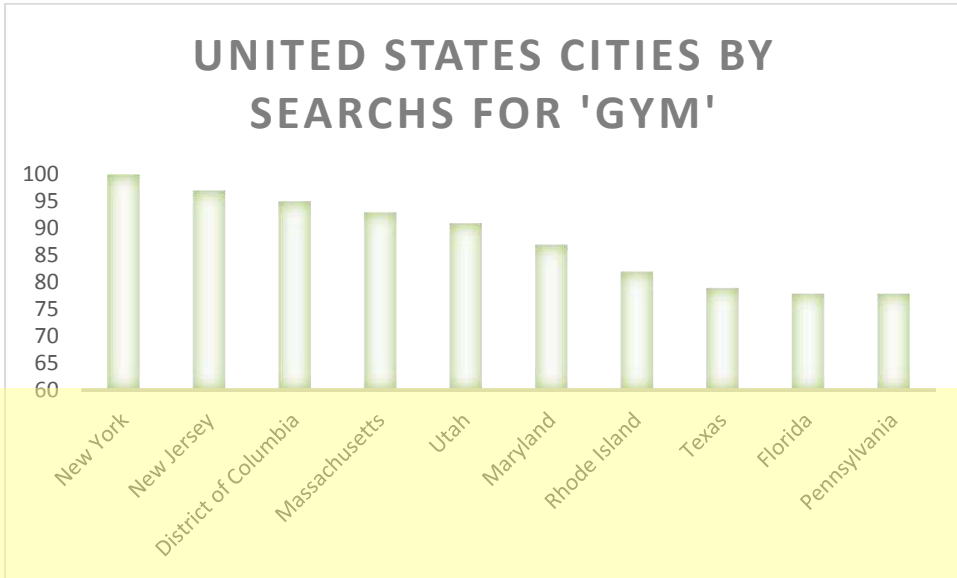
These figures mean that our gym can appeal to both those who live and work nearby. Features such as our laundry service make us ideal for workers as they remove the need to carry dirty smelly gym clothes around. We also allow our members to hold personal lockers to further reduce the need for them to carry around gym attire.

The average weekly wage in Manhattan stood at \$2,448 per week in 2012(Bureau of Labour Statistics 2013) more than 2.5 times the national average. Employment grew 1.7% (Bureau of Labour Statistics 2013) from March 2012 to March 2013 indicating an ever increasing demand for our service in Manhattan.

Average weekly wages first quarter 2013
(Bureau of Labour Statistics 2013)

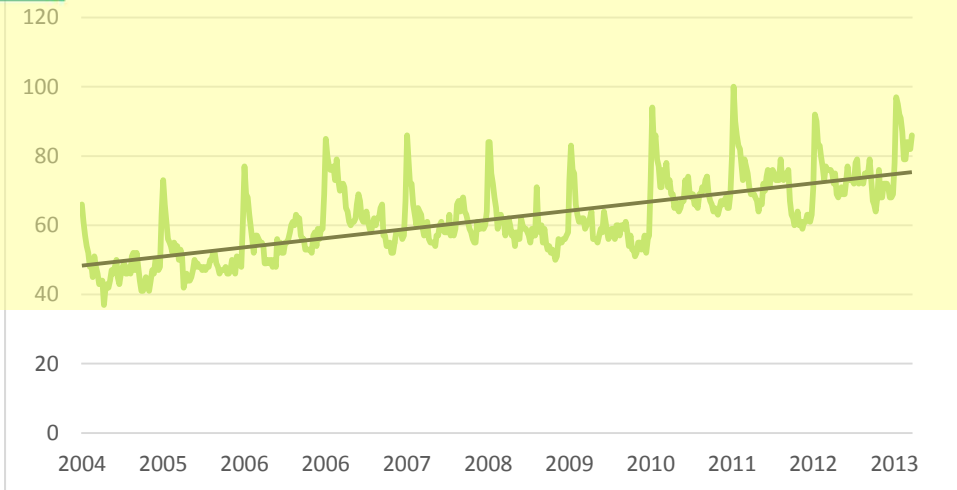
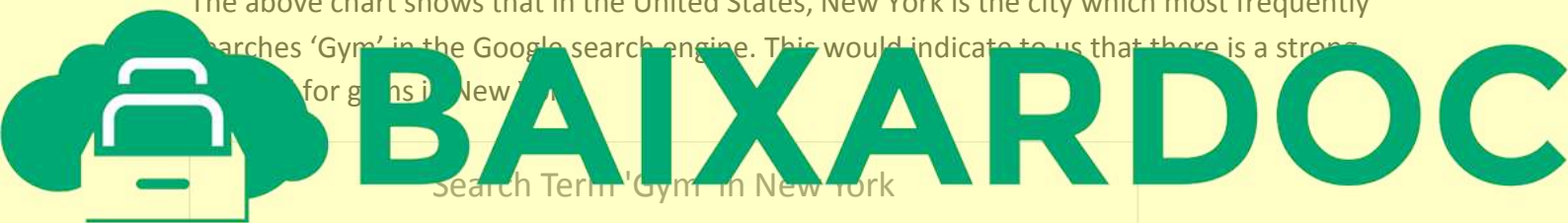


By researching key terms on Google Trends we were able to find geographical data on relevant internet searches.



SOURCE: GOOGLE TRENDS

The above chart shows that in the United States, New York is the city which most frequently searches 'Gym' in the Google search engine. This would indicate to us that there is a strong demand for gyms in New York.



SOURCE: GOOGLE TRENDS

The above shows that the term 'Gym' has an annual cycle, peaking in January. The black trend line also shows how there is a steady positive increase in the number of searches for 'Gym' in New York.

We also believe that recent metrological events in NY have the potential to increase the environmental awareness with the population, therefore increasing their aim to reduce damage to the environment. The main two events that have caused this are hurricane Sandy which offered in 2012, flooding many areas in New York. Also the winter of 2013/2014 this was the coldest winter on records.

Marketing Plan

Due to the nature of our business, our fixed costs are constant, regardless of the number of memberships. We have allocated a large amount of funds for aggressive advertising, as we require a sustainable level of custom on day one.

Pricing

Our prices for EcoGym New York are:

- \$20 daily
- \$90 monthly
- \$70 monthly (1 year contract)



Our pricing strategy is to set our prices slightly below existing competitors in the market. We are confident that we are offering a highly competitive market with a focus on service and a favorable reputation. Market research shows that many of the competing gyms in the New York City area charge large joining fees. We believe that joining fees can cause hesitancy when signing up to a gym, which is why we believe that the absence of a joining fee will lure more potential members into choosing our gym over competitors, giving us a competitive advantage in the market. Additionally, we also have a buy-out option for members signing up to our 1 year contract, which involves paying a \$20 excess for each month since signing the contract. We are extremely confident in our ability to provide an excellent service to all our members, which is why we feel that we do not need to tie them in to lengthy contracts and force excessive joining fees to secure our revenue.

Eco-gym's primary customer base is set to be working professionals in the city and/or the financial district. As an incentive for these professionals to join our gym, we are offering a corporate membership discount (10% discount for all employees of firms with 50+ members), which should encourage a sizeable flow of new memberships. Conjointly, we hope that firms can include the use of our gym in their corporate social responsibility report to express their intent to be environmentally friendly, benefitting the image of their company and public awareness of our company.

As an incentive to spend time in our gym, decreasing our costs by using the equipment more, we offer a free meal for every 25 hours a member spends in the gym. This also has

the added benefit of encouraging our clients to spend longer in our gym, meaning they will be more likely to make use of our additional facilities and services. Offering a free meal gives our members a taster of our café facilities, which we hope will encourage them to make more use of it in the future.

Distribution Channels

Our management team has been in contact with property letting agencies in New York City and we have found an ideal location on the corner of Broadway and Canal Street, a very busy area bordering Soho/Tribeca and within a mile radius of the Financial District. Our main customer segment is working professionals in New York City, especially with our convenient laundry service and restaurant facilities, allowing employees in the local area to easily use our gym during lunch breaks and after the working day. The location that has been selected we feel is perfect for attracting our potential members. Therefore, it is important to be located in a busy area to ensure that we attract these potential customers and the location we have chosen will do that.

As we are expanding our business into a new market, it is difficult to use our customer base in London to help sell our product in New York. However, our gym in London has attracted many working professionals that do business in the US. Therefore, we will offer our current members in the US a discount for recommending our gym to colleagues or friends in the US. This will allow them to use our facilities in New York, if they are in the area. We are confident that our current corporate membership discounts can benefit this. We are confident that because of our success in directly selling Eco-Gym in London and the increasing awareness of pollution in urban regions, launching Eco-Gym in New York City will hit the ground running.

Promotion

Despite the success of Eco-Gym in London, we are still new to the industry and expanding to a new and very competitive market in the US. There is a large number of gyms in New York, many of which are part of global chains and have a huge clientele list. Therefore, our advertising campaign in New York City is essential to the success of our business if we are going to compete in this hugely competitive market. We have an advertising budget of \$300,000 for the early stages of our advertising campaign, where we wish to invest heavily in local public transport, including the financial district. Advertising in buses, taxis, rail networks and airports will ensure that the densely populated area that we are targeting is aware of our gym and the unique selling point of our eco-friendly approach. We will also place advertisements in business newspapers, such as the Wall Street Journal to help us target the working professionals similar to those we attained in our gym in London. Within this, our focus will be on our corporate membership discount offer.