

Commercially, Collaboratively and Impartially prepared by:

Pathways to Business in conjunction with Robinson Accounting

with and on behalf of

DIL Se Lifestyle Health Pty Ltd as trustee for SNAP Fitness Croydon Unit Trust

Created: May 2018

Updated: 24th June 2018



WELCOME TO THE SNAP FITNESS - CROYDON BUSINESS PLAN

For the purchase of a SNAP Fitness Franchise Business
Purpose: Finance Application and Strategic Business Plans for successful trading

Disclaimer: This business plan highlights the research completed for the clients assessment of the opportunity and the presentation of key findings and calculations to the credit assessors of the finance application process. This does not take into account the clients exact personal situation or financial needs. Please read through all of the documents herewith in conjunction with the documents provided by the franchise, seller, agents, accountants, solicitors and other information sources to form a well-rounded and unbiased decision. We always recommend seeking independent legal and financial advice before proceeding with an opportunity. We do not and cannot make any guarantees about the completeness, reliability or accuracy of this information and information and forecasts can change. Any action you take on this will be at your own risk and we will not be liable for any losses or damages in connection to this service. The information provided herewith is based on information extracted from the most trusted industry related information service providers available by our research methods, including IBIS world reports, ABS reports, id. Consulting, franchisor documentation, current financial statements and other information/s.

EXECUTIVE Summary

- ❖ **The Business:** Existing SNAP Fitness business which has been successfully and profitably trading since 2012
- ❖ **Proposed Operating Entity:** DIL Se Lifestyle Health Pty Ltd as trustee for SNAP Fitness Croydon Unit Trust
- ❖ **Business Objectives:** To provide significant purpose, emotional value and shared experiences to the target audience (expanded herein), whereby the customers receive value in excess of the cost of service through value adding and superior customer service and connection in addition to the established presence as experts in the industry.
- ❖ **Industry:** SNAP Fitness holds 3.9% market share currently according to IBIS World Reports. With over 2000 franchises all over the world. The industry has experienced significant growth 7.5% annually for the past five years with the continued growth at 1.8% annually here forward.
- ❖ **Industry Key Statistics (IBIS World Report):**
 - ❖ Revenue \$2.2b
 - ❖ Profit \$281m
 - ❖ No. Businesses 4,227
 - ❖ Forecasted growth 1.8% approximately
 - ❖ Mature life cycle stage – with Personal Training as a Growth stage
 - ❖ High Capital Intensity
- ❖ **The franchise model:** The business model is very successful as they invest heavily in training and support before the franchisees start operating as they require a level of quality and consistency among the group. This is noted through having to mandatorily complete the SNAP University modules before commencing in the business. The model provides access to industry experts (Personal Trainers) to operate from their gym by paying a rental fee of \$220 to the owners, this can be paid as 8 hours of work contributing to the gym environment as a contractor, they at the same time have access to generate business and use all of the facilities included in the fees.
- ❖ **The Owners:** Both owners have a wealth of experience from previous roles and businesses owned in different industries including High exposure to complex Management experience, business ownership and operation experience, hospitality, corporate environments, international markets and exposure to very complex business scenarios. The business ownership aspect (11 and 22 years) has provided them with strong business acumen including how to market, to whom they market, how to build long lasting relationships, how to retain their clients, how to grow a business, ensure it remains profitable and also exposure to the economic climates including affects on disposable household income and what that means to discretionary spending to highlight a few.
- ❖ **Demand Drivers:**
 - ❖ Obesity levels
 - ❖ Health consciousness
 - ❖ Sporting professionals or (and including casual) participants
 - ❖ Local population
 - ❖ Age of population
 - ❖ Real discretionary income

- ✓ Strong Business Proposal
- ✓ Successful Business Model
- ✓ Business Ownership and Management Experience
- ✓ Positive Industry Outlook and Market Factors locally and economically
- ✓ Positive Demand Trends
- ✓ Cash Flow Positive
- ✓ Access to 24/7 Business Support

BUSINESS

CONTACT

DETAILS

Arndale Civic shopping Centre 224 Mt
Dandenong Road
Croydon VIC 3136

P: [0415 469 496](tel:0415469496)

E: croydon@snapfitness.com.au

W: <https://snapfitness.com.au/gyms/croydon/>

TABLE OF CONTENTS

- ❖ Executive Summary
- ❖ About the Business
- ❖ Management and Ownership Structure
- ❖ Management and Ownership Experience
- ❖ The People
- ❖ The Customers
- ❖ The Market
- ❖ Products and Services
- ❖ Market Research
- ❖ Economic Climate
- ❖ Risks and Mitigants
- ❖ Operations
- ❖ Finances
- ❖ Competitors
- ❖ Local Competitor Map
- ❖ S.W.O.T Analysis
- ❖ Research Approach and Resources Used

ABOUT the Business

LEASE & PREMISE

Lease renewed **5 year term in Feb 2017** with an additional lease term of **+5 years** thereafter.

Additional floor space is highly sought. There is the potential and intention of possibly acquiring the adjoining property which will allow increased number of members and a more open feel within the business further adding to the experience value that is being created.

EXTERNAL ENVIRONMENT

- ❖ Within a local shopping district alongside approximately 20 other boutique and mainstream stores for example, Woolworths. Having access to consistent foot traffic and additional accessibility, safety and security.
- ❖ Main Road access with high exposure to passing traffic.
- ❖ Appropriate signage affixed for clear and professional display of business

INTERNAL ENVIRONMENT

Business has recently undertaken a mandatory modernisation process in 2017 where equipment/s, fittings and fixtures were upgraded to ensure highest quality and consistency is retained among the store locations globally.

Business Premise is approximately 230 sqm

There are different 'zones' internally

- ❖ Free Weights and Plates Zone
- ❖ Pin Loaded and Cable Weight Zone
- ❖ Cardio Zone
- ❖ SNAP Free Zone

MANAGEMENT & OWNERSHIP

Names of owners:

Director and Guarantor:

Given Name: Dian Novia Permata
Surname: PUTRI

Details of management & ownership:

Ownership will be under above owners with the intention to be involved in working with the managers and Personal Trainers / Gym Floor Staff to further train, support and empower them to be running the business

Management of the club has operated and will continue to operate under Damian Vanterpool's Management whom commenced managing the club in early 2016. This manager is highly engaged with the club members and has successfully run the operations independently as the current owner (seller) is located in Queensland. The operations will continue as such.

Damian has the following experience and attributes to ensure the ongoing success

- ❖ Business Management experience
- ❖ Staff hiring
- ❖ Scheduling/Rostering
- ❖ Industry expert
- ❖ Analytical
- ❖ Excellent communicator and motivator
- ❖ Trainer and developer of staff
- ❖ Problem solver

All key responsibilities and obligations are contained within his employment contract which can be supplied upon request.

The Organisational Chart

THE TARGET MARKET

SNAP FITNESS CROYDON



BUSINESS OWNERSHIP AND MANAGEMENT EXPERIENCE

The Owners

Key Principles

Joint important characteristics for the owner is to create an **excess of value**. They have an 8 Key Principle approach to every investment and business opportunity that they are involved with. Some examples of them include helping clients achieve their dreams, help overcome frustration, help achieve happiness and many others.

The Principles will be used to provide an extra level of value in this business purchase and to create the valued shared experience in the club environment that goes beyond the club walls. They want the clients to feel empowered and confident more and more everyday through the collaborative efforts in helping to achieve their goals.

Experience: Dian Novia Permata Putri

Dian has been *managing and marketing* a family 5 Star Resort in Bali for **11 years**

Her responsibilities/skills include but not limited to:

- ❖ Family business ownership and management – 11 years
- ❖ Reservation Management
- ❖ Bookkeeping
- ❖ Management of the business
- ❖ Marketing activities
- ❖ Understanding investment and growth opportunities
- ❖ Engaging with Project Managers and Specialist to undertake the required work
- ❖ Additionally she is involved in commercial development projects and is a sole director of an existing company (as trustee for a trust) in which she runs these operations through.

PEOPLE POLICY

FIRST AID

SNAP UNIVERSITY

INDUSTRY TRENDS

THE BEST PEOPLE

CERTIFICATE III/IV FITNESS

OUR PEOPLE

Recruitment Methods

Recruitment is undertaken through a multifaceted approach, some with the use of industry specific tools. You can also find a list of Personal Trainers local to the area at:

<https://fitness.org.au/directory/reps/1>

They can be contacted directly.

The structure of the Personal Training employees is that they rent being able to use the facilities in the Gym per week of up to \$220. This can be paid as time worked in the Gym (8 hours) or a combination of worked hours and rental payments. They do not get a salary which you will see evident in the actual financial data nor the cash flow forecasts, as they are paid the fees directly from the clients.

This environment creates a value to value proposition allowing access to an immediate client base to leverage for paid services whilst the owners not having to pay out additional salaries whilst the mutual clients are able to access the specialists if they desire to further achieve their goals.

Training programs

Employees and / or Personal Trainers must have the required qualifications to be employed within these roles. A SNAP Fitness University is provided when a new starter commences in the role and has access to industry information and changes through this learning mechanism.

The Franchise does provide training and communications to stay up to date with industry trends or changes.

Skill / qualification requirements

All employees or trainers must have the following qualifications:

- ✓ First Aid Certificate with ability to perform CPR
- ✓ Must complete SNAP University modules
- ✓ Certificate III/IV Fitness
- ✓ Child Suitability

Procedural documentation

Documentation covering policy and procedures are covered in an extensive franchise manual and provided to the franchisees for their ongoing reference. These documents are regularly updated.

The Customers

KEY CUSTOMERS

Existing customer base. There are approximately 820 current members which the owners are intending on focussing attention on increasing the engagement and satisfaction from these customers.

There is a clear focus on customer relationships, relationship building and retention of their patronage over the long term.

CUSTOMER CHARACTERISTICS

- ✓ Age Groups
 - ❖ 50% aged 15-34 yrs
 - ❖ 30% aged 35-54 yrs
 - ❖ 20% aged 55 yrs+
- ✓ Sporting Professionals
- ✓ Recreational Sporting Participants
- ✓ Health conscious individual
- ✓ Weight related illnesses e.g. diabetics
- ✓ Higher wage earners
- ✓ Customers with weight or health related psychological impacts resulting in low self esteem
- ✓ Local

CUSTOMER MANAGEMENT

- ✓ Get to know the customer
- ✓ Understand their goals and what is important to them
- ✓ Customers will be engaged with in a friendly manner upon entering the facilities (if attended by staff at that time)
- ✓ Ongoing updates
- ✓ Reviews of personal progress against personal targets
- ✓ Options to have personal training sessions to further improve, provide faster results or to be more efficient in the workouts currently being undertaken
- ✓ Encourage participation in group activities, themed days etc.
- ✓ Seek feedback on how the club can improve

THE MARKET INDUSTRY ANALYSIS

Anticipated demand and Growth potential: The industry has seen significant growth in the last five years at an annual rate of 7.5%. The industry has a forecasted growth of 1.8% annually here forward. This constant demand should be consistent year on year as the market accounts for only 17% of the health industry opposed to the overseas market average of 22%.

Australia has one of the highest obesity rates which accounts for approximately 30% of the population, thus having an important role in society.

Demand drivers are also derived from the following:

- ✓ Sporting Professionals
- ✓ Recreational Sporting Activity Participation
- ✓ Health consciousness
- ✓ Population Groups (usage and dependency: 50% aged 15-34 yrs, 30% aged 35-54 yrs and 20% aged 55 yrs+)
- ✓ Average work hours per week – less hours worked a week results in increased leisure time
- ✓ Discretionary income – high levels result in increased spending in this area
- ✓ 24/7 access in high demand

There is also a strong focus on improving health in the community from the government as there are significant costs incurred by the government for weight related diabetes issues alone.

Pricing strategy: Mid-Priced gym experience.



Products and Services

Products: The store offers supplements for purchase to enhance or assist with the achieving of personal goals and overall health objectives.

Market position:

- ❖ The mid-tier price segment of the market.
- ❖ Remaining aligned to the objectives of “fast, affordable and convenient”.
- ❖ The price to value position in the market allows to further advance on services, convenience offered and value provided instead of being focussed on price.
- ❖ Receptive to changing market conditions, Snap Fitness has evolved and improved as evident in the recent modernisation process.

Snap Fitness is positioned to stay ahead of competition and be a market leader as Australia’s Trusted Workout, and a trusted fitness brand not only in Australia, but worldwide.

Unique selling position:

- ✓ Unique nutrition product - Nomergy
- ✓ Functional Training Zones
- ✓ 9Round, a boutique HIIT style workout
- ✓ YogaFit studios
- ✓ Globally accessible in over 2000 locations

Value to customer: Value to customer is formed from perception of services for price. This club is a mid priced 24/7 gym, providing uninterrupted access to use the facilities with a full range of equipment as described earlier.

Additional services like personal training sessions or having access to experts without having to hire the personal trainer adds additional value in conjunction with the earlier described ‘unique selling position’.

Further to above, to realign with the directors objectives of creating valued, shared experience empowering the clients and helping them truly achieve their goals whilst being a support in a promising basis in which to centre the business operations and objectives around.

MARKET RESEARCH

The SNAP Fitness Franchisor completes significant industry research and has found the following:

“In the health club industry, Australia is one of the strongest markets in the world with annual sales revenue of \$1.6billion.

The sector has seen significant growth from penetration levels of just 12% in 05-06 to 14% in 09-10 and a further increase to 17.1% at present equating to 3.324million of Australians aged 15 and above. This number is set to continue increasing with 2020 estimated to see 3.6million and 2025 3.9million providing huge opportunity for the health club sector to continue its significant growth.

Compare this to the U.S. who are already at 22% and this further adds to the confidence of these estimates.

These estimates mean that both the short-term and long-term opportunities are exciting! The market potential is strong, and you can capitalize on it. Where will the increase in penetration come from?

Shockingly Australia is in the top 5 for highest obesity rates in the world with more than 29% of Australians falling within this category. The ever increasing media exposure around our health & fitness industry is driving awareness of the importance of regular physical activity and this is largely being supported by the Australian government with weight related diabetes alone costing the Australian government more than \$14billion per annum.

New low to mid priced businesses like Snap Fitness are giving people the opportunity to improve their health and fitness on their own terms and at a price that might not have been affordable before.”

Refer: SNAP Overview Document

This above statement from the Franchise can be further supported by the recent rapid growth trends of annual growth of 7.5% annually over the past five years in conjunction with the forecast for the industry growth and demand continuing to grow at the rate of 1.8% as reported in the IBIS World Reports.

Victoria has room for growth as the establishments in Victoria accounts for 23% of the national count opposed to 24% in QLD and 33% in NSW.

The Market Continued

Market share holders and key corporate competitors are:

- ❖ Fitness and Lifestyle Group TopCo Pty Ltd 29.8%
- ❖ Anytime Australia Pty Ltd 14.8%
- ❖ Fernwood Women's Health Clubs Pty Ltd 5.1%
- ❖ Lift Brands (Australia) Pty Ltd – which is the parent company for the SNAP Fitness chain of clubs accounts for 3.9% of the market share.

Market targets

Currently the club holds 820 memberships

The targets is to reduce cancellations by way of understanding the reasons in order to retain or prevent significant additional cancellations.

There is an average of 48 new memberships sold per month with an average of 30 monthly cancellations. If time and money was spent to retain existing clients, the amount in saved marketing efforts and paid staff time, would result in an improved profit position on an annual basis which is the clear focus for the owners.

Research & development (R&D)/innovation activities

Local research activities will be undertaken to understand the local needs and wants out of the industry and business. Surveys could be issued from time to time to ensure the business stays aligned with the customers needs. In conjunction with staying up to date on the ongoing industry development and trends so to capture the growth and change with the business and industry type.

Intellectual property strategy

Protection of the brand and its registrations are done by the franchisor.

● Locality Population – 116,489

● Croydon Population – 28,640

● 2% Population Growth Rate

● Employment Rate: 94.8% (58% Full Time, 35% Part Time, 1.8% Other)

● Professionals as occupation is predominant accounting for 24% of the local occupations.

● Median Age – 38 years old

● Median Weekly Income - \$1342

The Economic Climate

Legal considerations

Owners must comply with the Trades Practices Act 1974

Trades Practices (industry codes – franchising) Regulations 1998

RISKS

Risk	Likelihood	Impact	Strategy
Health – e.g. heart attacks	Likely	Medium	Ensure CPR and First Aid training is kept up to date and defibrillators are kept on premise with additional access to engage emergency services if the premise is unattended by employees
Unauthorised Access	Likely	Low-Medium	All members are briefed upon joining that no third parties or authorised access is allowed to non-members in unstaffed hours. Consequences exist for members whom do not comply with cancellations of membership
Low Security in unstaffed hours	Unlikely	High	If a member is harassed or made to feel unsafe, this will have large consequences to the businesses reputation and may cause others to feel unsafe and thus not fostering the safe environment the owners are aiming to achieve. Steps to minimise impact is to ensure sufficient lighting and processes are in place to minimise the chance, but also incident management processes in order to deal with the scenario and put steps in place to ensure it does not occur again – these processes are to be assessed and updated regularly
Injury	Highly likely	Low-Medium	Ensure First Aid training is kept up to date, correct establishment of equipment and layout is well planned to reduce any accidents. Also clean and wide spaces are an important factor reducing risks of falling over equipment. Also easy access to first aid kits to attend to any injuries

RISK MINIMISATION

Ways that the business can reduce the risks involved is to ensure it strictly complies with all Occupational Health and Safety protocols

An in depth conversation with an insurance expert is also a very important key step in the process, which will be done in due course with the items to the right as items of discussion. More items will be discussed and an overall review will be completed which takes into account the overall business and personal circumstances and needs prior to commencement in the business.

- Workers compensation: To be established
- Public liability insurance: To be established
- Product liability: To be established
- Business assets: To be established
- Business revenue: To be established

Risk &
mitigant's

OPERATIONS



TRADING HOURS

24/7 Open Hours
Staffed Hours
Monday - Thursday 10am - 7pm
Friday & Saturday 8:30am - 12noon



SUPPLIERS

Preferred supplier list from franchisor allowing franchisee the access to bulk buying prices (economies of scale), thereby increasing or maximising the profitability of the business whilst maintaining quality.



INVENTORY

Inventory is kept at a consistent level, but in accordance with the sales. A current listing of the current stock levels are provided in the contract



PAYMENT METHODS

- ❖ Eftpos – credit card and debit cards
- ❖ Ezidebit
- ❖ Cash



CREDIT POLICY

All payments for gym memberships are payable in advance for the term duration, whether fortnightly or annually, all are prepaid for the term in advance.



INDUSTRY RESOURCES

Resources for industry can be found at
www.ausport.gov.au Australian Sports Commission
www.fitness.org.au Fitness Australia
www.fitness.edu.au Australian Institute of Fitness
www.physicalactivityaustralia.org.au Physical Activity Australia



TECHNOLOGY

Centralised Industry and business specific software package supplied by franchise in the initial fees. Ongoing fees occur as factored into the Cash Flow Forecast.



COMMUNICATION CHANNELS

Customers can make contact through the following methods, they are kept simple and minimal / consistent to ensure a customer friendly experience:

- ❖ Arndale Civic shopping Centre 224 Mt Dandenong Road
Croydon VIC 3136
- ❖ [0415 469 496](tel:0415469496)
- ❖ croydon@snapfitness.com.au
- ❖ Business Facebook Page



REFUNDS

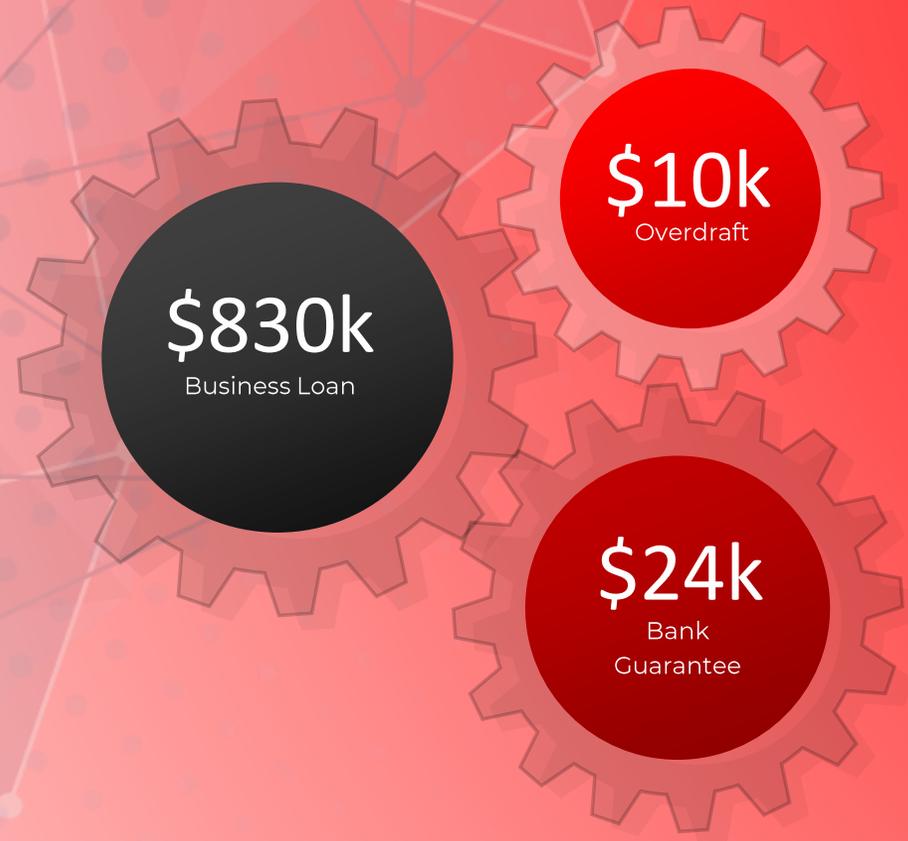
Refunds for memberships has certain criteria. For example for a two week prepaid fortnightly debit, there may be requirements of a two week notice period, thereby not having the ability to do a refund in that scenario, however for prepaid annual memberships, after the notice period, a pro rata refund can be issued to a customer. This is the industry normalities.



QUALITY CONTROL

Standardising the gyms services and procedures are done from the franchise head office, but maintained and honoured in the clubs throughout Australia and Internationally, hence the reason for the mandatory SNAP University modules and learnings undertaken at the commencement into the role.

THE FINANCES



\$830k Principle and Interest Loan

Includes the franchise fee, all of the existing equipment, structures, fixtures, fittings

Please see Contract of Sale for comprehensive list of inclusions

\$24k Bank Guarantee

For three months rent held as a financial guarantee payable to the existing landlord

Please see Lease Agreement for comprehensive lease details

\$10k Working Capital

Working capital requirements as a safety net for any unexpected expenses, to allow for fortnightly income fluctuations if required

THE FINANCES

Cash Flow Forecast 1st Year of Operation EOFY 2019

Date: 19/5/2018

Cash Inflows	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	YTD
Income	\$47,000	\$47,000	\$47,000	\$47,000	\$47,000	\$48,000	\$48,000	\$48,000	\$48,000	\$45,000	\$47,000	\$49,000	\$568,000
Gross Cash Inflows	\$47,000	\$47,000	\$47,000	\$47,000	\$47,000	\$48,000	\$48,000	\$48,000	\$48,000	\$45,000	\$47,000	\$49,000	\$568,000
Cash Outflows	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	YTD
Accounting/Bookkeeping	\$702	\$402	\$402	\$702	\$402	\$402	\$702	\$402	\$402	\$702	\$402	\$402	\$6,024
Administration - Recruitment, Filing and other	\$99	\$99	\$99	\$99	\$99	\$99	\$99	\$99	\$99	\$99	\$99	\$99	\$1,188
Advertising	\$650	\$650	\$650	\$650	\$650	\$650	\$650	\$650	\$650	\$650	\$650	\$650	\$7,800
Bank Fees	\$65	\$65	\$65	\$65	\$65	\$65	\$65	\$65	\$65	\$65	\$65	\$65	\$780
Cleaning	\$529	\$529	\$529	\$529	\$529	\$529	\$529	\$529	\$529	\$529	\$529	\$529	\$6,348
Computer Costs	\$60	\$60	\$60	\$60	\$60	\$60	\$60	\$60	\$60	\$60	\$60	\$60	\$720
Equipment purchases - minor	\$121	\$121	\$121	\$121	\$121	\$121	\$121	\$121	\$121	\$121	\$121	\$121	\$1,452
Franchise Fees	\$2,678	\$2,678	\$2,678	\$2,678	\$2,678	\$2,678	\$2,678	\$2,678	\$2,678	\$2,678	\$2,678	\$2,678	\$32,136
Franchise Service Fees	\$699	\$699	\$699	\$699	\$699	\$699	\$699	\$699	\$699	\$699	\$699	\$699	\$8,388
Insurance	\$400	\$400	\$400	\$400	\$400	\$400	\$400	\$400	\$400	\$400	\$400	\$400	\$4,800
Legal fees	\$270	\$270	\$270	\$270	\$270	\$270	\$270	\$270	\$270	\$270	\$270	\$270	\$3,240
Licences and Subscriptions	\$267	\$267	\$267	\$267	\$267	\$267	\$267	\$267	\$267	\$267	\$267	\$267	\$3,204
Loan Repayments	\$9,700	\$9,700	\$9,700	\$9,700	\$9,700	\$9,700	\$9,700	\$9,700	\$9,700	\$9,700	\$9,700	\$9,700	\$116,400
Management Fees	\$2,400	\$2,400	\$2,400	\$2,400	\$2,400	\$2,400	\$2,400	\$2,400	\$2,400	\$2,400	\$2,400	\$2,400	\$28,800
Merchandise	\$1,391	\$0	\$0	\$0	\$1,500	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$2,891
Phone and Internet (including Foxtel)	\$471	\$471	\$471	\$471	\$471	\$471	\$471	\$471	\$471	\$471	\$471	\$471	\$5,652
Printing and Stationery - Office Supplies	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$3,600
Promotional activity from franchise	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$1,800
Rent	\$7,696	\$7,696	\$7,696	\$7,696	\$7,696	\$7,696	\$7,696	\$7,968	\$7,968	\$7,968	\$7,968	\$7,968	\$93,712
Repairs and Maintenance	\$451	\$451	\$451	\$451	\$451	\$451	\$451	\$451	\$451	\$451	\$451	\$451	\$5,412
Rubbish Collection	\$105	\$105	\$105	\$105	\$105	\$105	\$105	\$105	\$105	\$105	\$105	\$105	\$1,260
Staff training	\$68	\$68	\$68	\$68	\$68	\$68	\$68	\$68	\$68	\$68	\$68	\$68	\$816
Superannuation	\$491	\$491	\$491	\$491	\$491	\$502	\$502	\$502	\$502	\$470	\$491	\$512	\$5,936
Supplements	\$591	\$591	\$591	\$591	\$622	\$622	\$622	\$550	\$580	\$570	\$570	\$560	\$7,060
Uniforms	\$0	\$0	\$0	\$0	\$300	\$0	\$0	\$0	\$0	\$0	\$600	\$0	\$900
Utilities	\$780	\$780	\$790	\$800	\$900	\$1,000	\$1,000	\$850	\$800	\$790	\$790	\$780	\$10,060
Wages and Salaries	\$5,170	\$5,170	\$5,170	\$5,170	\$5,170	\$5,280	\$5,280	\$5,280	\$5,280	\$4,950	\$5,170	\$5,390	\$62,480
Total Cash Outflows	\$36,304	\$34,613	\$34,623	\$34,933	\$36,564	\$34,985	\$35,285	\$35,035	\$35,015	\$34,933	\$35,474	\$35,095	\$422,859
NET CASH FLOW POSITION	\$10,696	\$23,083	\$35,460	\$47,526	\$57,962	\$70,978	\$83,693	\$96,658	\$109,644	\$119,711	\$131,236	\$145,141	\$145,141

THE FINANCES

Cash Flow Forecast 2nd Year of Operation EOFY 2020

Date: 19/5/2018

Cash Inflows	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	YTD
Income	\$47,000	\$47,000	\$48,000	\$48,000	\$48,000	\$48,000	\$49,000	\$48,000	\$48,000	\$46,000	\$47,000	\$49,000	\$573,000
Gross Cash Inflows	\$47,000	\$47,000	\$48,000	\$48,000	\$48,000	\$48,000	\$49,000	\$48,000	\$48,000	\$46,000	\$47,000	\$49,000	\$573,000
Cash Outflows	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	YTD
Accounting/Bookkeeping	\$702	\$402	\$402	\$702	\$402	\$402	\$702	\$402	\$402	\$702	\$402	\$402	\$6,024
Administration - Recruitment, Filing and other	\$99	\$99	\$99	\$99	\$99	\$99	\$99	\$99	\$99	\$99	\$99	\$99	\$1,188
Advertising	\$650	\$650	\$650	\$650	\$650	\$650	\$650	\$650	\$650	\$650	\$650	\$650	\$7,800
Bank Fees	\$65	\$65	\$65	\$65	\$65	\$65	\$65	\$65	\$65	\$65	\$65	\$65	\$780
Cleaning	\$529	\$529	\$529	\$529	\$529	\$529	\$529	\$529	\$529	\$529	\$529	\$529	\$6,348
Computer Costs	\$60	\$60	\$60	\$60	\$60	\$60	\$60	\$60	\$60	\$60	\$60	\$60	\$720
Equipment purchases - minor	\$121	\$121	\$121	\$121	\$121	\$121	\$121	\$121	\$121	\$121	\$121	\$121	\$1,452
Franchise Fees	\$2,678	\$2,678	\$2,678	\$2,678	\$2,678	\$2,678	\$2,678	\$2,678	\$2,678	\$2,678	\$2,678	\$2,678	\$32,136
Franchise Service Fees	\$699	\$699	\$699	\$699	\$699	\$699	\$699	\$699	\$699	\$699	\$699	\$699	\$8,388
Insurance	\$400	\$400	\$400	\$400	\$400	\$400	\$400	\$400	\$400	\$400	\$400	\$400	\$4,800
Legal fees	\$270	\$270	\$270	\$270	\$270	\$270	\$270	\$270	\$270	\$270	\$270	\$270	\$3,240
Licences and Subscriptions	\$267	\$267	\$267	\$267	\$267	\$267	\$267	\$267	\$267	\$267	\$267	\$267	\$3,204
Loan Repayments	\$9,700	\$9,700	\$9,700	\$9,700	\$9,700	\$9,700	\$9,700	\$9,700	\$9,700	\$9,700	\$9,700	\$9,700	\$116,400
Management Fees	\$2,400	\$2,400	\$2,400	\$2,400	\$2,400	\$2,400	\$2,400	\$2,400	\$2,400	\$2,400	\$2,400	\$2,400	\$28,800
Merchandise	\$1,391	\$0	\$0	\$0	\$1,500	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$2,891
Phone and Internet (including Foxtel)	\$471	\$471	\$471	\$471	\$471	\$471	\$471	\$471	\$471	\$471	\$471	\$471	\$5,652
Printing and Stationery - Office Supplies	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$3,600
Promotional activity from franchise	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$1,800
Rent	\$7,968	\$7,968	\$7,968	\$7,968	\$7,968	\$7,968	\$7,968	\$8,241	\$8,241	\$8,241	\$8,241	\$8,241	\$96,981
Repairs and Maintenance	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$6,000
Rubbish Collection	\$110	\$110	\$110	\$110	\$110	\$110	\$110	\$110	\$110	\$110	\$110	\$110	\$1,320
Staff training	\$75	\$75	\$75	\$75	\$75	\$75	\$75	\$75	\$75	\$75	\$75	\$75	\$900
Superannuation	\$491	\$491	\$502	\$502	\$502	\$502	\$512	\$502	\$502	\$481	\$491	\$512	\$5,988
Supplements	\$588	\$588	\$600	\$600	\$600	\$600	\$613	\$600	\$600	\$575	\$588	\$613	\$7,163
Uniforms	\$0	\$0	\$0	\$0	\$300	\$0	\$0	\$0	\$0	\$0	\$600	\$0	\$900
Utilities	\$780	\$780	\$790	\$800	\$900	\$1,000	\$1,000	\$850	\$800	\$790	\$790	\$780	\$10,060
Wages and Salaries	\$5,170	\$5,170	\$5,280	\$5,280	\$5,280	\$5,280	\$5,390	\$5,280	\$5,280	\$5,060	\$5,170	\$5,390	\$63,030
Total Cash Outflows	\$36,634	\$34,943	\$35,086	\$35,396	\$36,996	\$35,296	\$35,729	\$35,419	\$35,369	\$35,393	\$35,826	\$35,482	\$427,564.35
NET CASH FLOW POSITION	\$10,366	\$22,424	\$35,338	\$47,943	\$58,947	\$71,651	\$84,923	\$97,504	\$110,136	\$120,743	\$131,917	\$145,436	\$145,436

THE FINANCES

Profit and Loss 3 Year Forecast		Year ending 2019	Year ending 2020	Year ending 2021
Date: 19/5/2018				
Revenue				
Revenue		\$ 568,000.00	\$ 573,000.00	\$ 575,000.00
Gross Revenue		\$ 568,000.00	\$ 573,000.00	\$ 575,000.00
Expenses				
Accounting/Bookkeeping		6,024.00	6,024.00	6,024.00
Administration - Recruitment, Filing and other		1,188.00	1,188.00	1,188.00
Advertising		7,800.00	7,800.00	7,800.00
Bank Fees		780.00	780.00	780.00
Cleaning		6,348.00	6,348.00	6,500.00
Computer Costs		720.00	720.00	720.00
Equipment purchases - minor		1,452.00	1,452.00	1,452.00
Franchise Fees		32,136.00	32,136.00	32,136.00
Franchise Service Fees		8,388.00	8,388.00	8,388.00
Insurance		4,800.00	4,800.00	4,800.00
Legal fees		3,240.00	3,240.00	3,240.00
Licences and Subscriptions		3,204.00	3,204.00	3,204.00
Management Fees		28,800.00	28,800.00	30,000.00
Merchandise		2,891.00	2,891.00	3,000.00
Phone and Internet (including Foxtel)		5,652.00	5,652.00	6,000.00
Printing and Stationery - Office Supplies		3,600.00	3,600.00	4,000.00
Promotional activity from franchise		1,800.00	1,800.00	1,800.00
Rent		93,712.00	96,981.00	100,404.00
Repairs and Maintenance		5,412.00	6,000.00	6,500.00
Rubbish Collection		1,260.00	1,320.00	1,450.00
Staff training		816.00	900.00	900.00
Superannuation		5,935.60	5,987.85	6,047.73
Supplements		7,060.00	7,162.50	7,200.00
Uniforms		900.00	900.00	900.00
Utilities		10,060.00	10,060.00	10,060.00
Wages and Salaries		62,480.00	63,030.00	63,660.30
Total Expenses		\$ 306,458.60	\$ 311,164.35	\$ 318,154.03
		\$ 261,541.40	\$ 261,835.65	\$ 256,845.97
Less Depreciation		\$ 30,000.00	\$ 21,000.00	\$ 18,000.00
Less Interest Expense		\$ 40,602.00	\$ 36,708.00	\$ 32,611.00
Net Profit (Estimate) Before Income Tax		\$ 190,939.40	\$ 204,127.65	\$ 206,234.97

THE COMPETITORS

AQUA HUB

FERNWOOD
WOMENS FITNESS

IMANI FITNESS

F45 TRAINING

ANYTIME FITNESS

CONTOURS

MAX PERFORMANCE
FITNESS

FITNESS SUCCESS

GOODLIFE HEALTH
CLUBS

Competition level is high in this area for fitness centres, however, all of these businesses are succeeding as they are appealing to different client wants and needs in the market. Each provider has a different unique selling position, different offering and different price points.

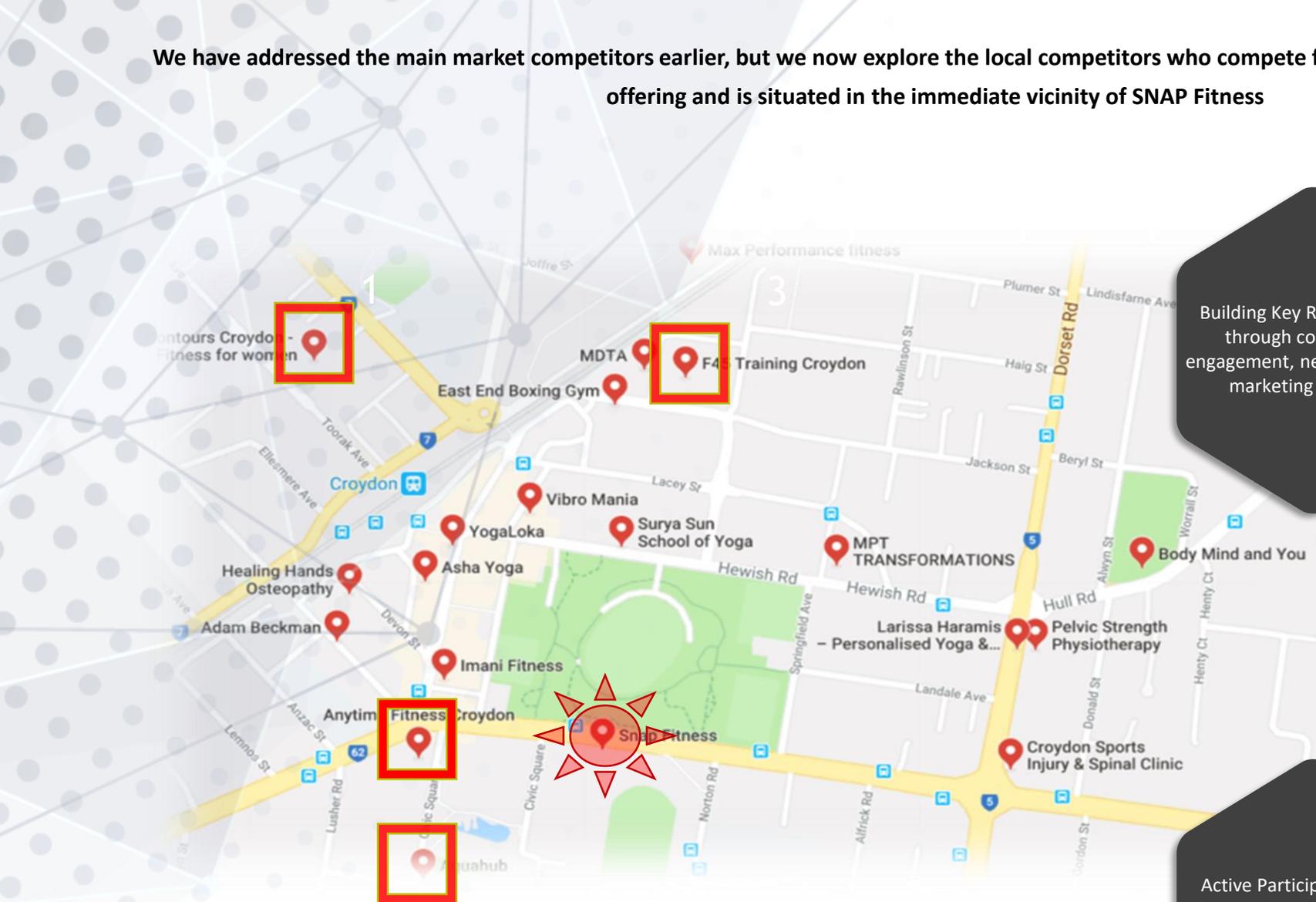
The main competitor in this environment which was also mentioned earlier as a larger market share holder is Anytime Fitness, they are the most alike to this business model, however both are likely to continue to succeed due to the high population areas, the locality, disposable incomes, the convenience factors that this location requires, the price point and the similar offering.

The major difference between these two is the internal environment. The SNAP Fitness environment is smaller and more intimate. The manager knows all of the members by name and has a hands on approach to helping the clients achieve their goals

COMPETITIVE
ENVIRONMENT

We have addressed the main market competitors earlier, but we now explore the local competitors who compete for the same local region, have a similar offering and is situated in the immediate vicinity of SNAP Fitness

OUR ADVANTAGE



THE COMPETITORS



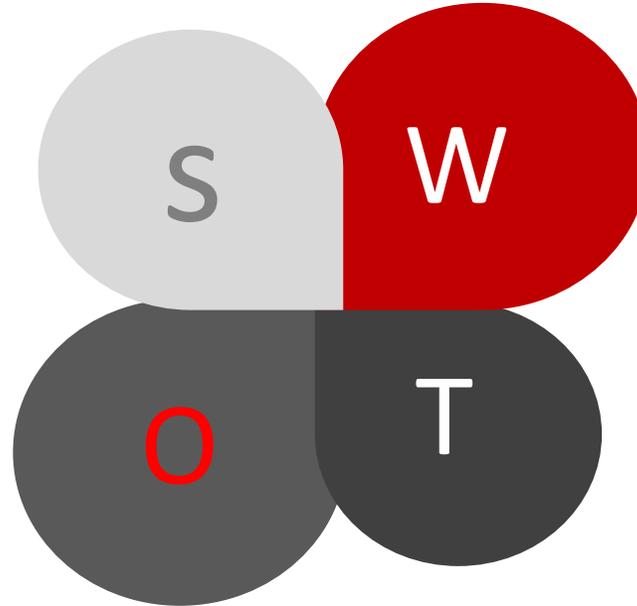
OUR S.W.O.T

Strengths

- ❖ Established brand
- ❖ Reputable services
 - ❖ Gets results
- ❖ Natural lead generation
- ❖ Franchise marketing activities in conjunction with local area marketing activities
- ❖ Existing and consistent membership base
- ❖ Economies of scale

Opportunities

- ❖ The ability to increase retention through identifying reasons for the customers leaving and addressing the issues. Retention will have the biggest impact on the bottom dollar as marketing funds can potentially be saved
- ❖ Opportunity to engage in the local area more
- ❖ Encourage and motivate members and the public to be more active and healthy
- ❖ Be involved in community groups and or take part in sponsoring sporting groups



Weaknesses

- ❖ Require skilled staff
- ❖ Limited by size of premise
- ❖ Large number of competitors
- ❖ Dependent on discretionary income

Threats

- ❖ Introduction of new competitors in the market
- ❖ Changes in the household incomes
- ❖ Change in composition of the local region, e.g. aging population, lower income brackets, this however, is mitigated through the price point strategy of the fitness centre

- ✓ Overall the offering is equally superior in the market place (equivalent to Anytime Fitness)
 - ✓ Mid price strategy
- ✓ Intimate environment which creates envisaged valued shared experiences
 - ✓ Ability to retain and foster existing membership base
 - ✓ Skilled staff and a caring, engaging club manager
- ✓ Training and support ensures the franchisees are able to operate their businesses successfully with minimal effort
 - ✓ Business model allows for automatic income streams

MARKETING PLAN OVERVIEW & WHERE TIME WILL BE SPENT

3%

Website lead generation

Lead generation

Actively and promptly engage customers when a lead is sent through from the franchise

Landing page

Understanding the audience who engages through the landing page and adjust the approach where necessary to capture the opportunity with greater success

9%

Facebook business page

Boosted Posts

Using existing knowledge and expertise (club manager) for posting updates, boosting posts and engaging the followers from the different key customer characteristics and interests

Sharing customer successes

Sharing and advertising customer progress, recognises the achievement of the club member whilst promoting its effectiveness

80%

Existing customer base

Be there and care

Genuinely being there for the club members is crucial in the ongoing success and the longevity of member relationships. The members want to achieve their goals but knowing that someone cares and is on board for the journey.

Be tagged

Encourage customers to take photos and be tagged in the posts – good or bad – this feedback is key to growth and longevity

5%

Word of Mouth

Encourage customers to spread the feedback if they love the experience

Encouraging customer satisfaction, engagement, support, empowerment, confidence makes for a satisfied and happy customer.

They will tell their friends and family of their experiences

3%

New networks

Networking

Open new networks by meeting new people in the community or key target audiences mentioned earlier

Clubs, Associations

Spread the word of the services through the existing or new networks that have similar or aligned interests e.g. sporting clubs

31 Day Body Transformation challenge

Treadmill Challenge

Newspaper articles

Fundraising / Donating
e.g. Christmas Food and Toy Drive

SNAP Spirit Days (Dress in SNAP colours)

Relay for life

Sport theme days e.g. AFL Finals

Join now – Pay later

CLUB ACTIVITIES

Games 'How fast can you burn 10 calories'

Winter small training groups

SNAP App

Competitions & giveaways

Bootcamps

Other Value Adding **ACTIVITIES**

Nutrition Seminars

Thank you for
Reading **Dian's**
BUSINESS PLAN AND
CASH FLOW FORECAST
**For the Purpose of
Purchasing SNAP
Fitness - Croydon**



Disclaimer: This business plan highlights the research completed for the clients assessment of the opportunity and the presentation of key findings and calculations to the credit assessors of the finance application process. This does not take into account the clients exact personal situation or financial needs. Please read through all of the documents herewith in conjunction with the documents provided by the franchise, seller, agents, accountants, solicitors and other information sources to form a well-rounded and unbiased decision. We always recommend seeking independent legal and financial advice before proceeding with an opportunity. We do not and cannot make any guarantees about the completeness, reliability or accuracy of this information and information and forecasts can change. Any action you take on this will be at your own risk and we will not be liable for any losses or damages in connection to this service. The information provided herewith is based on information extracted from the most trusted industry related information service providers available by our research methods, including IBIS world reports, ABS reports, id. Consulting, franchisor documentation, current financial statements and other information/s.

Our Research APPROACH

MARKET RESEARCH

- ❖ Id. Consulting
- ❖ Industry analysis
- ❖ IBIS World Reports
- ❖ Economic outlooks
- ❖ Local area research
- ❖ Competitor analysis
- ❖ International and local structures, comparison, trends and opportunities
 - ❖ Franchise documentation
 - ❖ Relevant local council plans
 - ❖ Australian Bureau of Statistics
- ❖ Existing Financial Documentation

Accountants Disclaimer Pathways to Business – Cashflow Review

We have completed the review engagement for the cashflow report for "Client 3" for Pathways to Business.

1. Pathways to Business Responsibility

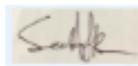
Pathways to Business are solely responsible for the information contained in the cash flow statement.

2. Our Responsibility

On the basis of information provided by Pathways to Business, we have reviewed the cashflow forecast report and provided our review notes report.

Our procedures use accounting expertise to collect, classify and review the cash flow forecast and supporting information/references, which has been provided by Pathways to Business to complete the review of the cashflow forecast report. Our procedures do not include verification or validation procedures. No audit has been performed and accordingly no assurance is expressed.

The special purpose review notes of the cash flow forecast were compiled exclusively for the benefit of Pathways to Business. We do not accept responsibility to any other person for the contents of the review notes.

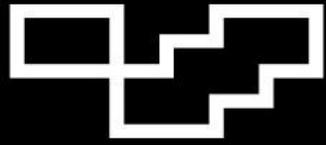


Accounting
Robinson Accounting
PO BOX 4318, Knox City Centre, VIC, 3152
Tel: 03 9594 1111

Scott Robinson

Robinson Accounting

PO BOX 4318, Knox City Centre, VIC, 3152



Pathways to Business

APPENDIX - DUE DILIGENCE

PLEASE ensure you look into the following further or be mindful of the following topics:

- Understand if you are undertaking any liabilities in the purchase of the business
- Attain copies of accountant prepared and audited financials – we have based our documents on the data and financial information provided to us. If anything is fundamentally different to the financials you receive, please provide it to us at the earliest convenience to update accordingly.
- Provide and discuss all financials and contractual documents with a solicitor and accountant for additional support, review and risk minimisation strategies.
- Attain current list of assets, liabilities and inventory – You want a clear itemised list of inclusions and relevant dates. Also find out and attain the associated guarantees and warranties.
- Possibly renegotiate Rent and franchise agreement. Rental fees have a high yearly increase. Possibly see if this can be renegotiated? Only 9 years remaining and thus also impacting the maximum loan term available. It would have a negative business impact if the landlords do not authorise any lease extension at the end of the nine-year term and force your business to relocate to a potentially inferior location and thereby negatively impacting the profitability of the business.
- Membership – percentage of frequency of payments and duration of memberships, what percentage paid in advance (this is exposure to refunds/chargebacks – therefore could be inherited potential loss of sales)
- Local competitor concentration is high. However, for the price point and convenience, this business is well placed in the market in additionally to the specific business location in comparison to the competitors (it is more centrally located and accessible).
- Damian is a key element of the business and this key factor does need to be fostered and nurtured. There is a risk here if he leaves some members may also.
- Damian is very well qualified to manage the business and has an infectious passion which is evident through the interactions of Damian with the members.
- The additional activities done in the gym add to the internal environment and promotes the ongoing engagement and participation. Please refer to the “Other Value Adding Activities”. These are differential factors that the other clubs do not participate actively in to this level.
- Current level of marketing is needed to be maintained, but as the existing relationships are developed and deepened, this amount may be able to be eased a little.
- Read up on the industry resources as added in the business plan as this provides resources on understanding the industry and its changes over time. There are network communications and articles which may be beneficial to read and understand.

- Insurances were not a major cost component nor a major topic of discussion but there is an absolute necessity for this in the business and also on a personal basis. This needs to be exactly reviewed according to your circumstances and quoted accordingly. There are insurance experts that you would need to engage with for this information and the information or categories contained within is not in completeness for what may apply so having an expert customise a cover for you is essential. If the amount quoted is significantly different to the amount we have factored into the forecast, please advise us to update it accordingly and thus reducing the risk of being under funded. Etc. (not likely, but these are factors we can get as facts before commencement in the business should you choose to proceed)
- Security was not factored in, as there we’re no evidence of security requirements, however we would like to point this out as it is a common factor of normal industry requirements and therefore wanting to bring it to your attention as this may be an additional out of pocket expense unless it is already installed and no ongoing costs exist for it.
- Merchant facility fees (most gyms use Ezidebit which is a fee payable by the customers) have been factored into bank fees in the forecast but represents a small amount – but this is something that most financial institutions allow a ‘change of ownership’ on settlement dates, but this is something to ask from the financial institution in advance as it can be very time consuming and frustrating if this is not done in advance (the risk is the funds going into the old owners account whilst its being transferred over or that you may have no Eftpos for a period of time.
- Being present and social on social media platforms is essential and showing member progress is really a great way of engaging the public and prompting a call to action, whether it be a telephone call, a message on social media or an email enquiry, this will increase the chances of new member onboarding.
- I could not locate the answer to whether directors require Certificate III/IV Fitness unfortunately, please ensure you request confirmation on this but from my experience this is not a mandatory requirement unless you perform work as a personal trainer or fitness instructor.
- Personal trainers – Level of income (Market Average) is 55k p.a per personal trainer. The personal trainers pay rental fees to the business or exchange the rent for time spent working in the business. This creates value through the exchange of specialised knowledge availability and experience for no expense to the gym or the members but in exchange for allowing access to additional resources to the members to help achieve their individual goals whilst allowing the personal trainers access to potential clients and the gym equipment. A break-even analysis would be advantageous to undertake, to assess maximum number of Personal Trainers but to not have a shortage of income potential for the Personal Trainers individually. Ensuring each trainer has their bookings at a high occupancy/uptake percentage. We do not have access to the necessary information to complete this task but is not fundamental to the decision process but is an opportunity for efficiency improvement and value adding.

These are all of the items that I have recorded for your attention, I have tried my best to provide you with a very in-depth analysis of the opportunity for your perusal. This however is one part in the many steps of due diligence and please for your protection, do not act on this alone, use it as a part of the entire research and due diligence process to form your view and judgement on the opportunity at hand.

If any further items come up, I will bring it to your attention if and before you commence trading. We always highly recommend and encourage engaging a solicitor and independent accountant before you decide to pursue a business opportunity. There are many risks and rewards involved in business ownership, but our aim is to reduce risks as much as possible and provide you with the support required to get into business with the best possible structure, support and confidence.