Screen Print Drying Company

BUSINESS PLAN DLP, INC.

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945 Clemray Highway
Nashville, Tennessee 37325

DLP had previously operated as five separate but affiliated companies, but a recent merger of the DLP companies into DLP, Inc., has created tremendous opportunities for cost reductions and the leveraging of existing resources. This business plan shows the remarkable sales and marketing future of the firm once it is infused with additional capital. This plan was provided by Trinity Capital.

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EXECUTIVE SUMMARY

DLP, Inc. participates in the custom heat process and finishing equipment industry, the custom metal fabricating industry, the screenprint drying industry, and in the contract powder-coating industry. DLP's main offices are located on 10 acres in Nashville, Tennessee, plus a small assembly warehouse near its home offices, as well as a two satellite contract powder-coating operations in Birmingham, Alabama, and Richmond, Virginia.

1995 was a pivotal year in the history of the DLP companies. While DLP had previously operated as separate but affiliated companies, the merger of the five DLP companies into DLP, Inc., has created tremendous opportunities for cost reductions and the leveraging of existing resources.

DLP, Inc. has operated successfully since its inception in 1970. The company currently has two main product areas: 1) specialty manufacturing equipment (dryers) for the screen printing industry, and 2) contract powder-coating services.

The company's high revenue has been in excess of $10 million annually. Currently, revenues exceed $7 million annually and the company is marginally profitable. The company remains 100% privately held and family owned. Total debt is $1.2 million including a $500K fully utilized bank line of credit.

Recent years have shown the first losses in company history, but cost-cutting measures have already been implemented to enable profitable operation. Current backlog of orders exceeds $1.5 million, with an additional $1.2 million order booked in November 1997. This represents the highest order backlog in the 4th quarter in the company's history.

However, the company is not sufficiently capitalized to take advantage of the growth opportunities it has.

Strategic Option #1:

- Sell off the equipment manufacturing business. This will eliminate all company debt.
- Concentrate on building the powder-coating business. This business has always been profitable. Current margins are 16% net and could be improved to 22% net with a $1.4 million capital expenditure. This capital would be provided by proceeds from the sale of the equipment business plus a small private equity placement plus available debt facilities.
- The volume of this business could be increased to $10 million within three years.

Strategic Option #2:

- Retain ownership of both entities.
- Raise $3 million minimum in private equity capital and subordinate debt.
- Build combined business to more than $20 million annually in three years by:

1. Hiring the proper management team.
2. Expanding the equipment business internationally.
3. Expanding the equipment business into other industrial applications.
4. Increasing the marketing of powder coating to fully utilize three currently available facilities. Then, expand with additional geographic locations.

Note: If option #2 is pursued, an additional option would be to divest of the equipment business later on-but at a much higher value. This business plan reflects the implementation of strategy #2.

The following table illustrates the projected five-year growth of the combined business. In year five combined sales exceed $22 million and gross margins have improved to 48%. This results in profitable operations and positive equity.

Long-term plan	1998	1999	2000	2001	2002
Sales	$6,815,025	$10,200,000	$15,500,000	$20,000,000	$22,500,000
Cost of Sales	$4,170,401	$5,865,000	$8,525,000	$10,500,000	$11,700,000
Gross Margin	$2,644,624	$4,335,000	$6,975,000	$9,500,000	$10,800,000
Gross Margin %	38.81%	42.50%	45.00%	47.50%	48.00%
Operating Expenses	$4,554,443	$6,117,226	$7,107,226	$8,800,000	$9,200,000
Operating Income	($1,909,819)	($1,782,226)	($132,226)	$700,000	$1,600,000
Net Income	($1,515,361)	($1,459,041)	($260,916)	$1,105,000	$2,000,000
Short-term Assets	$365,132	$3,906,891	$3,981,791	($600,000)	$1,200,000
Long-term Assets	$363,554	$289,358	$215,162	$650,000	$1,000,000
Short-term Liabilities	$1,452,477	$2,129,082	$2,390,702	$1,350,000	$1,050,000
Long-term Liabilities	$543,554	$1,043,554	$1,043,554	$550,000	$550,000
Equity	($1,267,345)	$1,023,614	$762,697	($1,850,000)	$600,000

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Objectives

1. **JOB COSTING:** Tracking of ongoing activity. Compiling data in a way that production management and administrative management can accurately determine the profitability of projects, products, and services. Without this information on a timely and consistent basis the company is running blind as it relies on past estimates alone. To accomplish this objective the company must actively involve production management. If they do not have to track it, they will not rely upon it for decision making. A second priority is one that management has already acted on: enhancing the computer system throughout the accounting process to coordinate the accumulation of data and to update and adjust the tracking procedures. Consulting with professionals with backgrounds in both accounting and management information systems, management is currently working towards the completion of this objective.

2. **IMPROVE SERVICE DEPARTMENT:** Some work is still needed to connect the paper trail that exists to ensure customer satisfaction and proper billing. In 1999 the service department will begin its move from a "necessary evil" to an efficient profit center.

3. **IMPROVE MONITORING OF ACCOUNTS RECEIVABLE:** Using the accounting department/process so that this important function can be constantly monitored with the checks and balances needed to ensure control of this important area, which is vital in maintaining the cash flow for the entire organization.

4. **DEVELOP NEW MARKETS FOR DRYING OVENS:** DLP will develop new products for new marketplaces while continuing to expand its existing territories. Research is needed to determine necessary changes to adapt our products to differing processes and possibly conform with European requirements, which could open new possibilities there. Our existing products can be marketed to new industries, such as the carpet and apparel industries. New products will include air make-up units, screen cabinets, lint collectors, and modular batch ovens.

5. **IMPROVE QUOTING PROCESS:** The quoting process for our systems jobs could further be standardized to: a) make the process faster, b) provide exact costs for materials, c) provide the general manager with a consistent format to review, d) provide accurate budgets of costs and expected profit, and e) serve as a more efficient means of communication between the engineering department and the production department.

6. **SATELLITE LOCATIONS FOR DLP:** As our contract powder-coating operation continues to provide the company's most consistent level of sales and profitability, it is a top priority of management to expand the operations of this segment of the company geographically. We have learned valuable lessons through our venture into our two satellite locations, and we will continue to refine our plans for satellite locations during 1999.

7. **BOLSTER PRODUCTION MANAGEMENT FOR MATERIAL HANDLING:** For this segment of the company to continue to increase its sales, steps must be taken to relieve current management from the dual role of both sales and production management.

8. **SOLIDIFY DLP'S TOTAL MARKETING PROGRAM:** Historically, each DLP division has been responsible for its own marketing and advertising, from brochures to trade shows to magazine advertisements. While each division will continue to have influence over its marketing, the goal in 1999 is to organize the process throughout the company and give DLP a consistent message and eliminate duplication of effort. To facilitate this process, we have consulted with marketing professionals to aid in developing a marketing plan that will be suitable. This plan will include printed goods, trade ads, web site development, and catalogs on CD-ROM.

Mission

To be a leader in each marketplace in which we compete, capitalizing on DLP's reputation for quality. To aggressively pursue growth opportunities through both product line and geographic expansion. To constantly explore innovative ways to improve the performance and quality of our products and the satisfaction of our customers. To generate above-average returns for our stockholders by aggressively seeking out new business while maintaining a conservative and consistent management philosophy. To always conduct ourselves in a manner that exemplifies integrity and strong ethical values. To provide a safe, secure working environment for our employees, with ample opportunity for personal growth and advancement.

Keys to Success

- Cost management and control across the organization.
- The continuing education of our current employees.
- The successful integration of new key employees into the organization.
- Maintain current market position while exploring new markets for growth.
- Improved cash generation and management and additional permanent working capital.

The future of the company rests on the overall strategy of expanding the technology in the screen print drying market to other vertical market industrial applications. The modular concept design of drying systems can be marketed in other industry segments at improved margins. Less custom work and fewer inventory items will improve profitability. The powder-coating side of the business will grow via marketing concentration and geographic expansion. Segmenting new management personnel into each separate division will improve operational control.

COMPANY SUMMARY

DLP, Inc. is a company with multiple divisions and subsidiaries participating in the custom heat process and finishing equipment industry, the custom metal fabricating industry, the material handling industry, the screenprint drying industry, and in the contract powder-coating industry. Most of our sales are made directly via our own sales force, from leads that are generated from "word of mouth" referrals, trade shows, trade publications, and other industry reps, while a large portion of our screenprint dryer and material handling sales are made by sales representatives and distributors. The type of customer to which we sell varies greatly across our various lines of business. In the custom heat process and finishing equipment arena we sell to primarily medium-sized regional manufacturers, with an occasional company like Steelcase thrown in. In our screenprint dryer sales, we have a firm footing with the premier screenprinters as well as with small-and medium-sized businesses. Customers for our fabricated products include a major retail store, UPS, and numerous small manufacturers. Contract powder-coating sales range from small-and medium-sized local manufacturers to national OEMs.

Company Ownership

On December 31, 1995, DLP, Inc., a Tennessee "C" corporation, acquired 100% of the common stock of DLP Systems, Inc., DLP Manufacturing, Inc., DLP Fabrications, Inc., DLP Coating, Inc., and DLP Coating of Tennessee, Inc. Of the five companies acquired, all are Tennessee "C" corporations except for DLP Coating of Tennessee, Inc., which is a Virginia "C" corporation.

The officers and owners of DLP, Inc. are as follows:

- David G. Stumbo, President and Treasurer - 7,360 shares (73.6%)
- Richard F. Stumbo, Vice President - 1,460 shares (14.6%)
- Mary Alice Stumbo, Vice President - 90 shares (0.9%)

- Sally Dillinger, Secretary - 90 shares (0.9%).

Company History

The companies first began in 1972 when David Stumbo and Ed Murguard ventured out from Hockingham Company and founded DLP Enterprises, Inc. doing business as HeatBlast Heating and Air Conditioning and Stumbo Construction. Both individuals were from a background of superior work ethic and extensive technical expertise that led to their early success. These efforts proved successful until the residential building industry fell off sharply. David anticipated the eventual phasing out of Stumbo Construction due to a declining marketplace and saturation of available general contractors as well as HeatBlast suffering the loss of some of its new housing business.

David knew that the future stability of the business was becoming dependent on their service work and the commercial end of the market. While building a large service business and a strong reputation in the area of commercial construction, David was being approached by individuals and companies requesting his services for such things as installing, servicing, and modifying commercial freezers and ovens. In 1976 he was asked to construct a conveyorized screenprint drying oven for a Nashville based company. David designed and built that first piece of equipment without realizing that a gas-fired, quality dryer did not yet exist in the screenprint industry. He also did not realize how quickly the word would travel throughout the textile industry, or that the first drying oven would still be used in production 20 years later.

Since that time DLP has developed an impeccable reputation in the areas of design, construction, installation, and service of all types of equipment including batch ovens, bake ovens, washers, freezers, duct systems, conveyor dryers, paint booths, and turnkey industrial finishing equipment, all of which are used in a wide variety of industries. This versatility greatly expanded the opportunities that were available and offered much stability because each industry was unrelated except for their equipment process needs. David's customer list soon began to read like a list of the Fortune 500.

In 1987 Ed decided to retire and the businesses were divided into what became DLP Manufacturing, Inc. (owned by David) and HeatBlast Heating and Air Conditioning, Inc. (owned by Ed). DLP Enterprises was converted to a Tennessee Limited Partnership-a land development company jointly owned by both individuals to manage and develop the 10+ acres they had acquired heavy industrial work. Ed eventually sold HeatBlast Heating and Air Conditioning and began retirement.

DLP Manufacturing continued designing, building, and installing commercial equipment and specializing in gas-fired heat process equipment for the screenprint industry and turnkey finishing systems for the finishing industry. Having built several powder process systems in the early 1980s by industry standards, DLP Manufacturing installed an in-house finishing system. This system was used as a means to experiment with the process of powder coating and to incorporate new ideas into DLP's line of finishing equipment. In time it became evident that contract services were in need on a larger scale. With the marriage of the finishing equipment and this need in the contract coating market, DLP Coating opened for business in 1990. This new venture was begun, operated, and majority owned by David.

With the growth in the T-shirt screen printing industry of the late 1980s, DLP's sales of screenprint dryers grew to the point that David decided to procure a veteran of the screenprint industry with expertise and extensive experience in marketing and sales, after which a major marketing effort was put in place to advance the sales of the company's best drying system. In 1991, David decided to spin that operation off as a separate business for better operational control. Due to the name recognition within the screen printing industry, that product line continued to be produced by DLP Manufacturing, Inc. DLP Systems, Inc. was formed (as a subsidiary of DLP Manufacturing) to manufacture the custom industrial equipment. David Stumbo owned 100% of both corporations and filed a consolidated tax return. David then continued the manufacturing of custom equipment under the new name of DLP Systems, Inc.

DLP Fabrications was formed in 1994 out of the need to enhance and centralize DLP's sheet metal fabricating abilities. DLP purchased a variety of CNC metal fabricating equipment to increase the tolerances achieved in its manufacturing processes. At the same time, a product line was needed to fill empty production time in the welding/fabricating department, as well as the contract powder coating.

An opportunity arose to manufacture and distribute material handling equipment (garment racks, etc.). DLP entered this market to expand its product offering and take advantage of the capacity of the fabricating and coating equipment. This new enterprise was started and owned by Greg Stumbo.

Ed Murguard died unexpectedly in August 1994. Upon his death, all of his business interests were divided 50/50 between Greg Stumbo and Ed's widow. After closing Ed's estate, Greg purchased the majority interest in Stumbo Holding Company from Ed's widow.

On October 31, 1994, the following transactions took place:

- The name of DLP Systems, Inc. was changed to Stumbo Holding Co., Inc. DLP Coating, Inc. formed a new wholly owned subsidiary with the name DLP Systems, Inc.
- The "new" DLP Systems purchased the operating portion of Stumbo Holding by assuming its operating assets and liabilities, which yielded a negative equity position.
- The rationale behind this move was fairly straightforward. Both DLP Systems and DLP Manufacturing had operating losses, while DLP Coating was profitable. By acquiring the operating loss of DLP Systems, DLP Coating avoided paying any income taxes.

As all of the above indicates, the DLP "family" of businesses was becoming increasingly complicated by the end of 1995. The tax and regulatory benefits of having several small corporations were being overshadowed by the problems created in managing so many separate entities. The decision was made to create a parent subsidiary relationship where DLP, Inc. would own 100% of DLP Manufacturing, DLP Fabrications, DLP Coating, DLP Systems, and DLP Coating of Tennessee. DLP, Inc. had been created in 1994 to function as a management company to provide services such as payroll, accounting, purchasing, etc. for all of the DLP companies. This transaction took place effective December 31, 1995. The decision was made to leave Stumbo Holding Company (the original corporation from 1986) out of this transaction for tax reasons and to keep the real estate, some equipment, and other intellectual property (trade names, copyrights) separate from the operating companies liabilities.

DLP Coating of Tennessee began operations in March 1995 as a wholly owned subsidiary of DLP Coating, Inc., representing the first geographic expansion of DLP's contract powder-coating facilities. The operation in Richmond, Virginia, was acquired from Smooth Coatings Inc., enabling DLP to eliminate a primary competitor before it entered the marketplace.

Effective December 31, 1996, the corporate shells of DLP Manufacturing, DLP Fabrications, and DLP Systems were dissolved, leaving DLP, Inc. as the surviving corporation. DLP Coating and DLP Coating of Tennessee were left as subsidiaries due to the distinct differences between the service nature of contract powder coating and the manufacturing nature of the other businesses.

In January 1997 DLP Coating opened its second satellite coating facility in Alabama. This location was selected because of its proximity to key industrial corridors servicing the firm's main customer base.

Today, the DLP "family" of businesses is relatively simple: DLP, Inc., equipment manufacturer and owner of DLP Coating, Inc. and DLP Coating of Tennessee, Inc., contract powder-coating operations. Stumbo Holding remains affiliated through its common ownership, leasing property and equipment to the DLP companies.

The following chart illustrates the past three years' financial performance of the combined company: this shows substantial sales but under-performance in net profit. It is expected that management controls will remedy this situation. Coupling that with new, profitable sales growth in targeted market segments is the over-all goal of this plan.

Past Performance	1995	1996	1997
Sales	$9,562,251	$10,078,159	$7,775,189
Gross Margin	$4,398,280	$4,245,154	$2,901,531
Gross % (calculated)	46.00%	42.12%	37.32%
Operating Expenses	$3,779,000	$4,042,370	$3,056,425
Collection period (days)	45	45	45
Inventory turnover	6	6	6
Balance Sheet			
Short-term Assets			
Cash	($138,617)	$180,743	$56,817
Accounts receivable	$770,218	$596,011	$729,662
Inventory	$626,148	$504,673	$499,800
Other Short-term Assets	$343,303	$320,000	$403,100
Total Short-term Assets	**$1,601,052**	**$1,601,427**	**$1,689,379**
Long-term Assets			
Capital Assets	$674,455	$730,278	$769,053
Accumulated Depreciation	$226,930	$302,049	$331,303
Total Long-term Assets	$447,525	$428,229	$437,750
Total Assets	**$2,048,577**	**$2,029,656**	**$2,127,129**

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Capital and Liabilities	1995	1996	1997
Accounts Payable	$680,228	$192,226	$437,433
Short-term Notes	$223,730	$549,000	$500,000
Other Short-term Liabilities	$315,458	$296,232	$398,126
Subtotal Short-term Liabilities	**$1,219,416**	**$1,037,458**	**$1,335,559**
Long-term Liabilities	$416,586	$587,397	$543,554
Total Liabilities	$1,636,002	$1,624,855	$1,879,113
Paid in Capital	($30,594)	$3,966	$3,966
Retained Earnings	$291,253	$260,373	$391,386
Earnings	$151,916	$140,462	($147,336)
Total Capital	$412,575	$404,801	$248,016
Total Capital and Liabilities	**$2,048,577**	**$2,029,656**	**$2,127,129**
Other Inputs			
Payment days	30	30	30
Sales on credit	$9,500,000	$10,000,000	$7,500,000
Receivables turnover	12.33	16.78	10.28

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Company Locations and Facilities

Stumbo Holding Company, Inc., a company related to the DLP companies via common ownership, owns the 10+ acres and 77,000 square feet utilized by DLP, Inc. in Nashville, Tennessee. There are three buildings as described below:

- 945 Clemray Hwy. - consists of 30,000 square feet of industrial/warehouse space and office space (2,250 square feet). This building is utilized as DLP's administrative offices, as the manufacturing facility for DLP's equipment division, and as warehouse space for all inventory and work-in-progress goods.
- 947 and 949 Clemray Hwy. - These two buildings were connected to form one structure, which consists of 24,817 square feet of industrial space (5,175 sq. ft. of office space). This building houses the administrative offices and the two powder-coating systems of DLP Coating (Nashville).
- 951 Clemray Hwy. - consists of 22,500 square feet (2,000 sq. ft. office) and is currently leased to a third party.

In addition to these facilities, DLP leases:

- 1101 Clemray Hwy., 5,000 square feet. This space is used to house the contract coating's batch painting operation as well as an overflow assembly site.
- DLP Coating of Tennessee leases 7,800 square feet of space which houses its powder-coating system and its administrative offices in Birmingham, Alabama.
- DLP Coating of Tennessee leases 24,000 square feet of space which houses its powder-coating system and its production offices in Richmond, Virginia.

PRODUCTS

Flat-line and screen print products:

- ABC drying oven - high volume production unit
- DEF drying oven - modular screenprint dryer
- Spock drying oven - serves the needs of the smaller users
- Lightning units - spot curing unit

Finishing industry and heat process products:

- complete turnkey industrial paint finishing systems
- batch ovens
- bake ovens, dry-off ovens
- washers
- custom industrial heat process and conveyorized systems

Material handling equipment and custom metal fabricating:

- Nestable garment racks and rolling shelves
- Custom metal fabricated products

Other products:

- turnkey powder-coat finishing systems
- turnkey wet paint finishing systems
- batch ovens
- bake ovens
- dry-off ovens
- custom industrial heat process equipment

Competitive Comparison

Most of our competitors in these markets generally use the standardized "rules of thumb" approach to designing and offering equipment. We compete with these competitors by engineering past them to show the customer advanced process production or greater process control. There are some competitors that have the engineering capabilities. Typically they are larger organizations than DLP. We compete against those competitors on price.

DLP offers the customer value in their purchase by matching the need with the product. Two decades of designing, fabricating, installing, servicing, and operating a variety of equipment and processes gives DLP more than a competitive edge. Time and time again DLP has bested its competition by focusing on the feature rather than the gimmick. The quality of our equipment and the loyalty of our customers is testament to the commitment for which DLP strives.

On average, DLP's pricing is very competitive. However, price is not always the main issue when a customer is pursuing a solution to his production concern. There are markets, such as the screen print industry, that are highly competitive with their pricing. In this market we refrain from going head to head with those competitors who stress their price more than their quality and concentrate on those customers who want and need the value we have to offer.

Sales Literature

Sales literature, previous advertising, and catalogue sheets are available upon request.

Sourcing

DLP has long established relationships with vendors of all raw materials required for operation. All inventory is on a just-in-time basis and orders are normally completed within one to three weeks of scheduling.

Principal suppliers are:

- Wooster Steel, Canard, TN
- T.R. Loose, Nashville, TN
- Ritt Electric, Atlanta, GA

- Maxitrol, Southfield, MI
- Tennessee Controls, Atlanta, GA
- O'Malloy Steel, Northcross, GA
- Techie Controls, Bruce, GA
- Lutz Blowers, Chicago, IL
- Air Machines Corp., Atlanta, GA

Technology

The technology DLP uses is not unique, though the ideas and how specific designs are formulated is certainly proprietary. There are products and processes that DLP has developed which have, could, and will be patented.

Future Products

Future products will revolve around modular concepts that can be pre-fabricated and still customized into specific customer requirements. This will serve to improve inventory control and increase margins.

Market Analysis Summary

The major markets served by DLP, Inc. are: 1) The screenprinting market with 40,000 potential customers and an annual dollar volume of $25 billion. 2) Contract powder coating with 100,000 potential customers and $40 billion in annual volume. It is estimated that screenprinting is growing at about 8% per year and is a mature industry. Powder coating has only reached 20% of its market potential. Most metal parts are still painted. On an industry-by-industry basis the number of potential customers is almost unlimited. DLP has only scratched the surface of potential customers. An early marketing task will be to identify specific industry segments with the greatest potential.

Market Segmentation

The total number of potential customers in each target market segment is huge. DLP must target segments by industry preference. These customers are only domestic. International distribution channels are not included here. Other manufacturing segments for ovens/drying applications also are not included. These represent future growth avenues. Management intends to concentrate first on expanding its core base of customers in those markets where DLP is known for quality and readily identifiable. Management seeks to gain market share by coordinating marketing efforts and expanding budgets and staff. The following chart represents target markets and growth expectations:

Market Analysis

Potential Customers	Growth	1998	1999	2000	2001	2002	CAGR
Screen Print	8%	40,000	43,200	46,656	50,388	54,419	8%
Powder coating	12%	100,000	112,000	125,440	140,493	157,352	12%
Other	0%	0	0	0	0%	0	0.00%
Total	10.90%	140,000	155,200	172,096	190,881	211,771	10.90%

Potential Customers	Growth	1998	1999	2000	2001	2002	CAGR
Screen Print	8%	40,000	43,200	46,656	50,388	54,419	8%
Powder coating	12%	100,000	112,000	125,440	140,493	157,352	12%
Other	0%	0	0	0	0%	0	0.00%
Total	10.90%	140,000	155,200	172,096	190,881	211,771	10.90%

Target Market Segment Strategy

Existing channels of distribution will be utilized. Media expenditures and trade show participation will be increased. Web marketing will be initiated. DLP has enjoyed a sales franchise for many years, but marketing expenditures have been curtailed in recent years resulting in market share erosion. Market share increases will be the primary objective.

A cross section of DLP customers is as follows:

- XML Athletic Wear
- B.J. Muffel
- Russell Athletic
- Petree Mfg.
- Walt Disney Productions
- AT&T
- Texton
- Total Care Electric
- Goodyear
- General Electric
- Ties Industries

Market Needs

The market needs quality solutions, not just products that work. DLP's modular drying solutions will be a competitive advantage. In addition, DLP engineering expertise will offer turn-key solutions to customer needs. In powder coating, the customers need environment friendly coating options. DLP will capitalize on this on-going demand.

Market Trends

The trend from paint coating applications to powder-coating applications has only penetrated 20% of the total market to date. Manufacturers will also be trending towards installation of their own powder-coating lines. DLP can capitalize here just as once it did with the screenprint drying business. Capital equipment can supplement the service-oriented business model of today.

Market Growth

Screenprinting is growing at 20% per year domestically. Foreign markets are prime. International distribution of modular systems should be a priority. Foreign licenses are possible as well. Powder coating will grow first by expanding market share. Then it will grow by establishing additional satellite locations to be closer to customer demand. This is a long-term goal that will require additional capitalization. The powder-coating business can also increase market share via good transportation management. This will enhance service capabilities to clients. Trucking can be a valuable addition to the service mix. It can also serve to enhance profitability as volume permits. Initially transportation services can be leased and ultimately can be owned.

Industry Analysis

The drying industry is now dominated by a few major companies. These companies have outstripped DLP in a market that DLP pioneered. They are spending far more in marketing than DLP but their quality and customer service have suffered.

The powder-coating industry is primarily a privately held regional business. There is significant opportunity for roll-up expansion here, either by internal growth and expansion to new locations, as well as acquisition strategy long term.

Distribution Patterns

Sales are direct to customer and through independent reps and distributors. The majority of current sales are direct by DLP to its current customer base. Only material handling equipment is sold through reps. It is DLP's objective through increased media, staffing, and Internet use to increase direct sales and thereby exercise more control over the end user. These efforts will be primarily aimed at increasing market share via new customer creation. Foreign markets will also be explored utilizing distributors, licenses, or strategic partners.

The following are distributors with whom DLP enjoys long-standing relationships:

- Russell Lambert Equipment Co. - Nashville, TN
- & N Industries - San Francisco, CA
- American Laundry Inc. - New York, NY
- Moonbeams - Carrollton, GA
- Merging Minds - Philadelphia, PA
- International Can Components - Cincinnati, OH
- PlugIn Systems - Atlanta, GA

Competition and Buying Patterns

Buying patterns are determined more by marketing presence and power than by any other factor. DLP seeks to influence more direct business than ever before.

Main Competitors

Main competitors in the drying business are:

- Kugler Enterprises
- Denver Finishing
- LEAR-X Inc.

Several of these companies are many times the size of DLP and could be potential acquirers at a higher value if DLP increases market share and establishes a market advantage with its modular design concept. The market here is national in focus.

Principal competitors in powder-coating services are:

- Bright Night Finishing, Inc.
- NorthEast Powder coatings
- Pixie Dust Coatings
- Reliable Coatings

The marketing focus here is more regional. These are companies that could be supplanted with execution of effective marketing. They could also be acquired (perhaps at a very reasonable price).

The main competitors in finishing systems are:

- CBG Inc.
- Industrial Finishing
- On Target Metal Work

These are larger companies. DLP can obtain market share by promoting its "modular" concept and by expanding into other vertical markets served by these competitors.

STRATEGY & IMPLEMENTATION SUMMARY

Manufacturing strategy is more efficient operation and cost control. The result will be increasing margins.

Marketing strategy is increased budgets, personnel, market presence, media expansion, Internet marketing, and direct control of customers.

Strategy Pyramids

The following is a demonstration of workflow:

1. Manufacturing takes place in our 30,000 sq. ft. of manufacturing space where the components of the equipment are assembled, using our staff of 30+ production employees. The company's product line is marketed directly to the consumer and through distributors in geographical areas where there is lack of representation. Three major trade shows are attended per year. Advertising is done in three major industry publications on a targeted basis, and the company attends four to five major trade shows each year.

2. Terms are usually 30/60/10 and leasing is available to customers from third-party sources. After an order is taken and documents for confirmation and tracking of the job are produced, the orders are placed for all necessary fabricated and purchased items. Production then takes over and produces each order in about two to five weeks depending on the product. Upon shipment of the order (via common carrier), the service department takes over and schedules any installations while also fulfilling any obligations of warranty work.

3. Both volume and efficiency and economies of scale will be enhanced by the successful implementation of this plan.

The strategy pyramid is intended to be an overview.

Value Proposition

Value is based upon turn-key solutions. Customers can be ramped-up (add-on selling) to new levels of service or increased internal capability. DLP offers one-stop shopping for either customer need.

Competitive Edge

Engineering expertise has long been DLP's competitive edge. Larger competitors are either not capable or are unwilling to offer it. Turn-around time on orders will also be an advantage when more modular systems are sold.

Marketing Strategy

Multi-channel distribution will be paired with integrated strategic marketing to enhance market share. All media will be integrated in theme, frequency, and specific targeting to interface with direct sales contact on an industry specific "flighted" approach. Over-all marketing expenditures will be increased from less than 1% currently to 4% in 1999 and 2000.

Positioning Statement

DLP will be the quality solution company in the markets it serves.

Pricing, Promotion, & Distribution Strategies

DLP pricing, while competitive, will never be the lowest price available. The price range targeted is mid-level. Trade shows will continue to be the primary promotional vehicle. A public relations campaign aimed at specific industry publications will be instituted for the first time. Internet on-line ordering and customer service will be instituted.

Multi-channel distribution strategies will be followed. Direct sales will be the primary target.

Marketing Programs & Sales Strategy

Our marketing program will involve direct mail, industry magazine/trade advertising, and integrated sales follow-up.

Our sales strategy is based on key sales manager contact. This is a new person in each division. DLP has never had full-time people dedicated to each main product line in a sales only function. Order processing and customer service will be Internet and telemarketing based. Periodic sales contact blitzes will be industry specific.

Sales Forecast

The sales forecast below for 1998 is actual through October. November reflects the current portion of a new $1.2 million dollar order that has been booked. 1999 and 2000 projections reflect expected gains in market share produced by the strategies and expenditures outlined. The company will exceed $20 million in sales by year four (2002).

Margins will increase in parallel.

Sales Forecast			
Sales	**1998**	**1999**	**2000**
Combined Sales	$6,815,025	$10,200,000	$15,500,000
Other	$0	$0	$0
Total Sales	**$6,815,025**	**$10,200,000**	**$15,500,000**
Direct Cost of Sales			
Combined Sales	$4,170,401	$5,865,000	$8,525,000
Other	$0	$0	$0
Subtotal Cost of Sales	**$4,170,401**	**$5,865,000**	**$8,525,000**

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Milestones

The keys to management implementing this plan are:

- Increased capitalization.
- Professional staffing, especially key management personnel.
- Flexibility in implementation of new marketing plans. Test as one goes with discretionary budget allocation.

MANAGEMENT SUMMARY

In the past, David Stumbo has managed all facets of company operation. This has simply been too demanding for one person to oversee effectively. Mr. Stumbo has been very effective in growing and profitably managing the powder-coating side of the business. However, he has not been able to wear the production, marketing, and financial control mantle for both sides of the total operation.

Organizational Structure

A new organization structure will be implemented with the launch of this plan. Greg Stumbo will directly oversee the powder coating operation. A new general manager of the drying equipment business will be hired. Two candidates have already been identified. Bob McIntyre, a well-known industry consultant, will be retained for strategic growth advisory purposes. He will also serve as an oversight person for strategic review of plan milestones and implementation progress.

An overall marketing manager will be hired as well as an outside advertising/PR firm. Sales specialists in each division will concentrate full-time on those products and services. This has never been done in the past.

Management Team

The current management team is made up of Greg Stumbo who has grown up in DLP's business. The other strengths of the company are in engineering and production. Financial controls have been weak in the past. A qualified CPA firm has been retained to implement financial controls. Two general manager candidates have been identified; their resumes are available.

Significant management gaps have existed in financial management, divisional management, and sales and marketing. All gaps are filled by the implementation of this plan.

Personnel Plan

This personnel table lumps all current employees together. Growth needs are highlighted. The following people are added in 1999:

Staff:

- One Human Resources
- One Accountant (Cost)
- One Purchasing
- One Engineer• One Draftsman
- One Quality Assurance
- One EPA Compliance
- One Traffic Officer

These personnel will fill needs produced by increased business and also bolster functions that are currently weak.

Production:

- One Supervisor
- One Lead Man
- Six Laborers

These personnel will be needed for business increases. Current capacity is running at 50%. No new capital equipment is required initially.

Management:

- One General Mgr.
- One Marketing Mgr.
- Two Sales Mgrs.

Total personnel forecast is as follows:

Personnel Plan	1998	1999	2000
Total Employees (currently)	1,779,192	1,779,192	1,779,192
New Staff	$0	$430,000	$640,000
New Management	$0	$360,000	$425,000
New Production People	$0	$175,000	$350,000
Other	$0	$0	$0
Total Payroll	$1,779,192	$2,744,192	$3,194,192
Total Headcount	67	87	102
Payroll Burden	$355,838	$548,838	$638,838
Total Payroll Expenditures	**$2,135,030**	**$3,293,030**	**$3,833,030**

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FINANCIAL PLAN

The financial plan calls for new infusion of $3.75 million by January 1999. It is expected that $2 million will be new equity, $1 million long-term subordinate debt, and $750k in a new credit facility for working capital. $500k existing line will be repaid and $500k in existing long-term debt will be repaid.

Important Assumptions

The following table represents financial assumptions on which the plan is based:

General Assumptions	1998	1999	2000
Short-term Interest Rate %	8.00%	8.00%	8.00%
Long-term Interest Rate %	13.00%	13.00%	13.00%
Payment Days Estimator	30	30	30
Collection Days Estimator	45	45	45
Inventory Turnover Estimator	6	6	6
Tax Rate %	25.00%	25.00%	25.00%
Expenses in Cash %	10.00%	10.00%	10.00%
Sales on Credit %	75.00%	75.00%	75.00%
Personnel Burden %	20.00%	20.00%	20.00%

General Assumptions	1998	1999	2000
Short-term Interest Rate %	8.00%	8.00%	8.00%
Long-term Interest Rate %	13.00%	13.00%	13.00%
Payment Days Estimator	30	30	30
Collection Days Estimator	45	45	45
Inventory Turnover Estimator	6	6	6
Tax Rate %	25.00%	25.00%	25.00%
Expenses in Cash %	10.00%	10.00%	10.00%

General Assumptions	1998	1999	2000
Sales on Credit %	75.00%	75.00%	75.00%
Personnel Burden %	20.00%	20.00%	20.00%

Key Financial Indicators

Our benchmarks indicate margin improvements and sales improvements. Operating expenses increase initially for marketing and staffing but will be recouped as time moves forward. The turn-around and ramp-up of the next three years will pay dividends in economies of scales in year four and beyond. This will contribute to company value. If sales increases exceed projections, very little more in overhead will be added. Bottom lines will improve substantially.

Break-even Analysis

Fixed expenses for DLP, Inc. are estimated at $3 million per year. Thus, the monthly burn rate is $250K. At the historic gross margin of 40%, monthly sales of $625K are needed to sustain operations. This equates to $7.5 million in gross sales. The company has demonstrated an ability to meet this volume on an annual basis. It is assumed that the company can continue to do so. Thus, the downside risk is minimal. It is further assumed that better project costing can improve margins and sales volumes can increase profitably with adequate working capital.

Break Even Analysis:	
Monthly Units Break-even	$625,000
Monthly Sales Break-even	$625,000
Assumptions	
Average Per-Unit Revenue	$1.00
Average Per-Unit Variable Cost	$0.60
Estimated Monthly Fixed Cost	$250,000

Break Even Analysis:	
Monthly Units Break-even	$625,000
Monthly Sales Break-even	$625,000
Assumptions	
Average Per-Unit Revenue	$1.00
Average Per-Unit Variable Cost	$0.60
Estimated Monthly Fixed Cost	$250,000

Projected Profit and Loss

Growth building expenditures and investment will continue to burn cash for the next three years. However, maximum burn is in year two. Positive cash flow begins in year 2001. Expense controls will be key to bottom line. Controls will be vital in more efficient operation.

Profit and Loss (Income Statement)	1998	1999	2000
Sales	$6,815,025	$10,200,000	$15,500,000
Direct Cost of Sales	$4,170,401	$5,865,000	$8,525,000
Other	$0	$0	$0
Total Cost of Sales	**$4,170,401**	**$5,865,000**	**$8,525,000**
Gross Margin	$2,644,624	$4,335,000	$6,975,000
Gross Margin %	38.81%	42.50%	45.00%
Operating expenses:			
Advertising/Promotion	$43,000	$400,000	$600,000
Payroll Expense	$1,779,192	2,744,192	$3,194,192
Payroll Burden	$355,838	$548,838	$638,838
Depreciation	$74,196	$74,196	$74,196
Other Expenses (total)	$2,302,217	$2,350,000	$2,600,000
Total Operating Expenses	**$4,554,443**	**$6,117,226**	**$7,107,226**
Profit Before Interest & Taxes	($1,909,819)	($1,782,226)	($132,226)
Interest Expense Short-term	$40,000	$60,000	$80,000
Interest Expense Long-term	$70,662	$103,162	$135,662
Taxes Incurred	($505,120)	($486,347)	($86,972)
Net Profit	($1,515,361)	($1,459,041)	($260,916)
Net Profit/Sales	-22.24%	-14.30%	-1.68%

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Projected Cash Flow

Current year (1998) negative cash flow represents the current debt levels and utilization of existing credit facilities. Capital infusion provides the cash needed for 1999 ramp-up strategies. Cash remains positive throughout 1999. Depending on sales achievement, cash needs can be determined for year 2000. Cash is forecast to be positive, but no new investment is targeted for year 2000. If there is a shortfall it is expected that credit facilities can be extended based upon increased sales and receivables.

Proforma Cash Flow	1998	1999	2000
Net Profit	($1,515,361)	($1,459,041)	($260,916)
Plus:			
Depreciation	$74,196	$74,196	$74,196
Change in Accounts Payable	$116,918	$176,605	$261,621
Current Borrowing (repayment)	$0	$500,000	$0
Increase (decrease) Other Liabilities	$0	$0	$0
Long-term Borrowing (repayment)	$0	$500,000	$0
Capital Input	$0	$3,750,000	$0
Subtotal	**($1,324,247)**	**$3,541,760**	**$74,900**
Less:			
Change in Accounts Receivable	$35,338	$379,970	$594,935
Change in Inventory	$364,200	$351,077	$551,084
Change in Other Short-term Assets	$0	$0	$0
Capital Expenditure	$0	$0	$0
Dividends	$0	$0	$0
Subtotal	**$399,538**	**$731,048**	**$1,146,019**
Net Cash Flow	**($1,723,785)**	**$2,810,712**	**($1,071,119)**
Cash Balance	**($1,666,968)**	**$1,143,744**	**$72,625**

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Projected Balance Sheet

The company turns positive in net worth in 1999. But this is due to new capital infusion. The important fact is that net worth remains positive in year 2000 with no new capital. Subsequent growth strategies can be implemented at that time.

Proforma Balance Sheet

Assets				
Starting Balances				
Short-term Assets	**1997**	**1998**	**1999**	**2000**
Cash	$56,817	($1,666,968)	$1,143,744	$72,625
Accounts Receivable	$729,662	$765,000	$1,144,970	$1,739,906
Inventory	$499,800	$864,000	$1,215,077	$1,766,161
Other Short-term Assets	$403,100	$403,100	$403,100	$403,100
Total Short-term Assets	$1,689,379	$365,132	$3,906,891	$3,981,791
Long-term Assets				
Capital Assets	$769,053	$769,053	$769,053	$769,053
Accumulated Depreciation	$331,303	$405,499	$479,695	$553,891
Total Long-term Assets	$437,750	$363,554	$289,358	$215,162
Total Assets	**$2,127,129**	**$728,686**	**$4,196,249**	**$4,196,953**
Liabilities and Capital				
Accounts Payable	$437,433	$554,351	$730,956	$992,576
Short-term Notes	$500,000	$500,000	$1,000,000	$1,000,000
Other Short-term Liabilities	$398,126	$398,126	$398,126	$398,126
Subtotal Short-term Liabilities	$1,335,559	$1,452,477	$2,129,082	$2,390,702
Long-term Liabilities	$543,554	$543,554	$1,043,554	$1,043,554
Total Liabilities	**$1,879,113**	**$1,996,031**	**$3,172,636**	**$3,434,256**
Paid in Capital	$3,966	$3,966	$3,753,966	$3,753,966
Retained Earnings	$391,386	$244,050	($1,271,311)	($2,730,352)
Earnings	($147,336)	($1,515,361)	($1,459,041)	($260,916)
Total Capital	**$248,016**	**($1,267,345)**	**$1,023,614**	**$762,697**
Total Liabilities and Capital	**$2,127,129**	**$728,686**	**$4,196,249**	**$4,196,953**
Net Worth	**$248,016**	**($1,267,345)**	**$1,023,614**	**$762,697**

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Источник бизнес-плана: http://www.referenceforbusiness.com

Business Ratios

All business ratios improve markedly during the course of this plan. A solid foundation is being built for expansion. If divestiture of the manufacturing heat equipment division is desired at this time it will be at a substantial valuation gain. Further expansion capital would most certainly be available in any event.

Ratio Analysis

Profitability Ratios:	1998	1999	2000	RMA
Gross Margin	38.81%	42.50%	45.00%	0
Net Profit Margin	-22.24%	-14.30%	-1.68%	0
Return on Assets	-207.96%	-34.77%	-6.22%	0
Return on Equity	0.00%	-142.54%	-34.21%	0
Activity Ratios				
Accounts Receivable Turnover	6.68	6.68	6.68	0
Collection Days	53	46	45	0
Inventory Turnover	6.12	5.64	5.72	0
Accounts Payable Turnover	10.7	10.7	10.7	0
Total Asset Turnover	9.35	2.43	3.69	0
Debt Ratios				
Debt to Net Worth	0	3.1	4.5	0
Short-term Liabilities				
to Liabilities	0.73	0.67	0.7	0
Liquidity Ratios				
Current Ratio	0.25	1.84	1.67	0
Quick Ratio	-0.34	1.26	0.93	0
Net Working Capital	($1,087,345)	$1,777,810	$1,591,089	0
Interest Coverage	-17.26	-10.92	-0.61	0
Additional Ratios				
Assets to Sales	0.11	0.41	0.27	0
Debt/Assets	274%	76%	82%	0
Current Debt/Total Assets	199%	51%	57%	0
Acid Test	-0.87	0.73	0.2	0
Asset Turnover	9.35	2.43	3.69	0
Sales/Net Worth	0	9.96	20.32	0

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Collection Days	53	46	45	0
Inventory Turnover	6.12	5.64	5.72	0
Accounts Payable Turnover	10.7	10.7	10.7	0
Total Asset Turnover	9.35	2.43	3.69	0
Debt Ratios				
Debt to Net Worth	0	3.1	4.5	0
Short-term Liabilities				
to Liabilities	0.73	0.67	0.7	0
Liquidity Ratios				
Current Ratio	0.25	1.84	1.67	0
Quick Ratio	-0.34	1.26	0.93	0
Net Working Capital	($1,087,345)	$1,777,810	$1,591,089	0
Interest Coverage	-17.26	-10.92	-0.61	0
Additional Ratios				
Assets to Sales	0.11	0.41	0.27	0

Profitability Ratios:	**1998**	**1999**	**2000**	**RMA**
Debt/Assets	274%	76%	82%	0
Current Debt/Total Assets	199%	51%	57%	0
Acid Test	-0.87	0.73	0.2	0
Asset Turnover	9.35	2.43	3.69	0
Sales/Net Worth	0	9.96	20.32	0

Long-term Plan

All strategic decisions will be addressed in year four. Divestiture, roll-up, and M & A activity are all potential exits.

This can be compared to past performance to determine value added. Net worth achieved is only a fraction of market value for specialty manufacturing concerns on an earnings multiple valuation basis.

Note: Supplementary tables included in the rear of this plan are month-to-month for the current year 1998. These are included to illustrate more specifically how the turn-around has already begun in terms of sales backlogs and cost control initiatives already begun. The capital required in this plan will serve to initiate the building of future value.

Past Performance

	1995	1996	1997
Sales	$9,562,251	$10,078,159	$7,775,189
Gross Margin	$4,398,280	$4,245,154	$2,901,531
Gross % (calculated)	46.00%	42.12%	37.32%
Operating Expenses	$3,779,000	$4,042,370	$3,056,425
Collection period (days)	45	45	45
Inventory turnover	6	6	6
Balance Sheet			
Short-term Assets			
Cash	($138,617)	$180,743	$56,817
Accounts receivable	$770,218	$596,011	$729,662
Inventory	$626,148	$504,673	$499,800
Other Short-term Assets	$343,303	$320,000	$403,100
Total Short-term Assets	$1,601,052	$1,601,427	$1,689,379
Long-term Assets			
Capital Assets	$674,455	$730,278	$769,053
Accumulated Depreciation	$226,930	$302,049	$331,303
Total Long-term Assets	$447,525	$428,229	$437,750
Total Assets	**$2,048,577**	**$2,029,656**	**$2,127,129**
Capital and Liabilities			
Accounts Payable	$680,228	$192,226	$437,433
Short-term Notes	$223,730	$549,000	$500,000
Other Short-term Liabilities	$315,458	$296,232	$398,126
Subtotal Short-term Liabilities	$1,219,416	$1,037,458	$1,335,559
Long-term Liabilities	$416,586	$587,397	$543,554
Total Liabilities	$1,636,002	$1,624,855	$1,879,113
Paid in Capital	($30,594)	$3,966	$3,966
Retained Earnings	$291,253	$260,373	$391,386
Earnings	$151,916	$140,462	($147,336)
Total Capital	$412,575	$404,801	$248,016
Total Capital and Liabilities	$2,048,577	$2,029,656	$2,127,129
Other Inputs			
Payment days	30	30	30
Sales on credit	$9,500,000	$10,000,000	$7,500,000
Receivables turnover	12.33	16.78	10.28

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