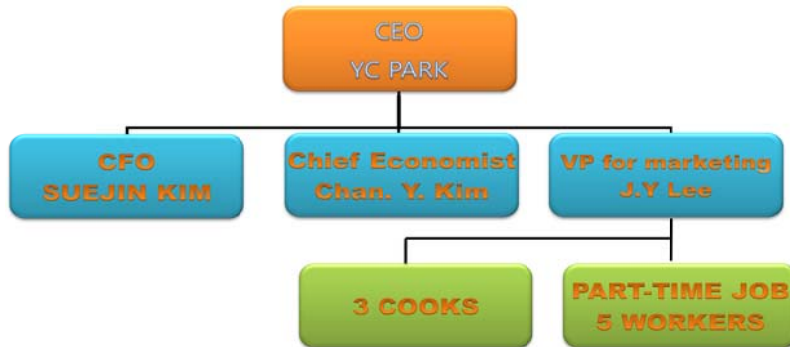


## 1. Outline

-Members



-**Location:** Anam, the Chamsali Street(Main Store) and Sinchon(Branch)

-**Constitution of floors:** 1<sup>st</sup> floor for take-out and 2<sup>nd</sup> floor for staying

-products



- 春秋(**rubus coreanus**)

- alcoholicity : 7%
- Main resource : polished rice 80% + herb medicine 20% + rubus coreanus

- Sweet taste with nutritious function
- Price: \$4

- 夏冬(**millet**)

- Alcoholicity : 7%
- Main resource : millet
- delicate flavor : differentiate and have simple menu
- Price: \$4



-Pajeon

- Main Resources: Wheat Floor, Shallots, Eggs, Squids
- Price: \$14

## Set menu

- SET 1
- 1 piece of pajeon + two kinds of Makoli
- A portion for two or three persons
- SET 2
- 1 piece of Pajeon + 4 glasses of Makoli
- You can order extra Pajeon which is Won
- Package motivated from franchise store selling chicken

## -Assumptions

- 8 Employee (3 in kitchen /5 in Serve)
- Located in the first and second floor
- Selling 2 kind of Raw rice wine by 500ml
- \$4.0 in a bottle
- \$14 in a plate Pajeon
- Selling 146,000 bottles of Makgeolli and 46,000 plates Pajeons
- Starting Cash: \$300,000
- Total request : 320,000 (80% of start-up cost)
  1. Guarantee money for a two storied building – 320,000
  2. Equipments & building interior costs - 80,000

-> Start – up cost : \$ 400,000

## 2. Economic analysis

- **Favored conditions:** Korea's GDP per capita has grown gradually  
G20-exchange rate will be stable so uncertainty will decrease
- **Not- favored conditions:** Income level has been around 20,000 dollar per capita in 10 years  
Risk to exports by the emerging economies

## 3. Market Analysis

- Makgeolli Market size is lower than other kinds of alcoholic drinks but size has increased
- Makgeolli Market's prospect is so good compared to other groups
- Customers: KU Students (low and unstable income, frequent visit, big fluctuation in spend)  
Residents (higher WTP, frequent visit, continuous spending )  
Professors and workers (higher WTP, continuous spending )

#### 4. SWOT Analysis

- Strength:** Targeting taste and tradition
  - Antique interior design and infinite re-fill
  - Take-out system & Delivery service
  - Broad customer classes
- Weakness:** Low awareness
  - Relatively high price
  - Selling only Makgeolli
  - Many competitors
- Opportunity:** Traditional alcohol friendly policies
  - Well-being Trend
  - Advance of quality by R&D
  - Increasing size of Market
- Threat:** Fluctuation of Demand
  - Emergency of substitution goods
  - Fluctuating price of raw materials

#### 5. Strategy

- simplifying menu: We just treat 2 kind of Makgeolli and one kind of pajeon
- Focusing on special range of menu
- Take out
- Delivery
- For staying: River of Makgeolli like Poseokjung(포석정)
- Vacation discounts: In vacation, we will discount our product prices for students

#### 6. Financial analysis.

##### -Assumptions and requirements.

There is two scenarios - Base line scenario, Alternative scenario.

First, in a base-line scenario, we forecast that our sales of products will be increased. Also, there is stable inflation, additional advertisement by consumers who had visited(Mouth to mouth), and constant preference to traditional drink.

Second in a alternative scenario. we are concern about global depression, and Agflation which can result in unexpected growth of direct materials. There is also possibility of increasing depreciation expences and unexpcted overhead cost. One more, appearance of many competitive stores can be a problem.

## Individual Enterprise Pro Forma Budgets

Name of enterprise:	2011	2012	2013	2014	2015	Key assumptions:	2011	2012	2013	2014	2015
<b>막걸리 1</b>						Product price	\$4.00	\$4.00	\$4.50	\$5.00	\$5.50
Expected revenue	300,000	310,000	360,000	415,000	467,500	Expected sales	75,000	77,500	80,000	83,000	85,000
Direct material expenses	86,400	88,992	91,840	94,779	97,622	Growth in material expenses		3.00%	3.20%	3.20%	3.00%
Direct labor expenses	60,000	62,100	64,274	66,587	68,984	Growth in labor expenses		3.50%	3.50%	3.60%	3.60%
Variable direct overhead	35,000	35,700	36,414	37,142	37,885	Growth in overhead		2.00%	2.00%	2.00%	2.00%
Variable selling overhead	40,000	41,200	42,436	43,709	45,020	Growth in selling & admin expenses		3.00%	3.00%	3.00%	3.00%
<b>막걸리 2</b>						Product price	\$4.00	\$4.00	\$4.50	\$5.00	\$5.50
Expected revenue	284,000	292,000	333,000	385,000	440,000	Expected sales	71,000	73,000	74,000	77,000	80,000
Direct material expenses	95,000	97,850	100,981	104,213	107,339	Growth in material expenses		3.00%	3.20%	3.20%	3.00%
Direct labor expenses	60,000	62,100	64,274	66,587	68,984	Growth in labor expenses		3.50%	3.50%	3.60%	3.60%
Variable direct overhead	35,000	35,700	36,414	37,142	37,885	Growth in overhead		2.00%	2.00%	2.00%	2.00%
Variable selling overhead	50,000	51,500	53,045	54,636	56,275	Growth in selling & admin expenses		3.00%	3.00%	3.00%	3.00%
<b>파전</b>						Product price	\$14.00	\$14.00	\$14.00	\$15.00	\$15.00
Expected revenue	644,000	672,000	700,000	780,000	825,000	Expected sales	46,000	48,000	50,000	52,000	55,000
Direct material expenses	135,000	139,050	143,500	148,092	152,534	Growth in material expenses		3.00%	3.20%	3.20%	3.00%
Direct labor expenses	86,000	89,010	92,125	95,442	98,878	Growth in labor expenses		3.50%	3.50%	3.60%	3.60%
Variable direct overhead	35,000	35,700	36,414	37,142	37,885	Growth in overhead		2.00%	2.00%	2.00%	2.00%
Variable selling overhead	40,000	41,200	42,436	43,709	45,020	Growth in selling & admin expenses		3.00%	3.00%	3.00%	3.00%

1. Prices of selling product will be increased because of inflation.

Required rate of return for Baseline scenario:	2011	2012	2013	2014	2015
54. Riskfree rate of return	3.92%	4.00%	4.00%	4.00%	4.10%
55. Business risk premium	5.00%	4.50%	4.50%	4.30%	4.00%
56. Financial risk premium	4.00%	4.10%	4.20%	4.20%	4.20%
Required rate of return for Alternative scenario:	2010	2011	2012	2013	2014
57. Riskfree rate of return	3.92%	4.00%	4.00%	4.00%	4.10%
58. Business risk premium	11.00%	11.50%	12.00%	12.50%	13.00%
59. Financial risk premium	9.00%	9.20%	9.30%	9.40%	9.50%

2. The number of expected sales will increased.

3. business risk premium and financial risk premium will increase. Especially in alternative scenario, business risk is much more high because there is a possibility that new competitors enter into opening in Anam.

**Expected Sales** : 146000 bottles and 46000 plate in a first year.

**Expected Price** : \$4.00~5.5/a bottle, \$14~15/a plate.

**Length of term loan** : 5 years.

**Interest rate on Term loan** : 7.5%

**Interest rate on Loc loan** : 9%

**Income tax rate** : 35%

**Risk free rate of return** : 3.92% (5-year national bond interest rate).

Financial Ratio

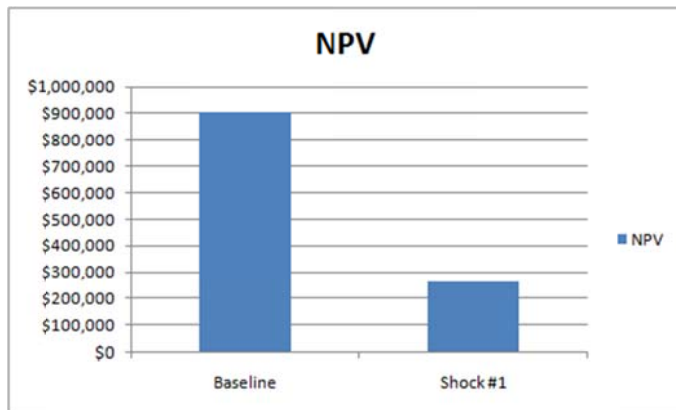
a. **Current ratio** : Exceed 1 for each scenarios.

b. **Debt ratio** : Only first year and alternative scenario exceed 0.5

The others are not exceeding 0.5 for each scenarios.

c. **Rate of Return on Assets** : Both of base and alternative scenarios are higher than 15%

d. **NPV** : NPV is always higher than 0 even alternative scenario.



#### **Conclusion in financial scenario.**

According to financial ratios and NPV, our business has a strong endurance in financial factors although there is shock in economics. Even if there will be several competitors, we already forecast and have calculated as a business premium. Our company's finance is healthy.