



the
Cable Knit

EXECUTIVE SUMMARY &
FINANCIAL STATEMENTS
2016

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Executive Summary

Product Description

The Cable Knit produces a line of simple, well-designed, wool knitwear tops with a comfortable and flexible electrically-heated inner shell (patented) that, when powered on, keeps your core at a customizable temperature between 60-75 degrees. Our shell is heated by a powerful rechargeable lithium ion battery, smaller and less noticeable than a pack of gum in your breast pocket. Our inner shell is easily removable and our garments are machine washable and wearable on their own.

The shells and garments are not currently sold separately but we intend to make that option available soon so our customers can purchase multiple designs for one shell and feel comfort every day of the week. We sell our products from our e-commerce website. Each Cable Knit sweater is priced at \$90.

About The Cable Knit's Mission

Founded by Liishi Durbin & co. in 2016, The Cable Knit seeks to fill a missing segment in the growing industry of electronically-heated garments: we are bringing the technology historically used to produce heat-regulating garments for hikers, mountaineers and construction workers to everyday fashion by mixing it with our practical and minimal American sportswear design.

Since its initial founding, The Cable Knit is recognized by customers as a pioneer in smart, ethical, and environmentally sustainable fashion. We have partnered with producers, garment makers and designers who work within Fair Trade standards in order to assure that the production process of our knitwear is environmentally friendly and gives people who live in developing worlds open access to opportunities and markets.

Fair Trade Production

Because we are committed to the World Fair Trade Organization (WFTO), we do business differently from many of the "fast fashion" companies. Unlike other companies who lean heavily on sweatshops and child labor and contribute significantly to pollution and global warming with wasteful manufacturing processes, The Cable Knit stands up against exploitation of both people and resources.

Throughout our supply chain, we promote transparency and create opportunities for economically disadvantaged hand skill workers by paying them a livable wage in a regional or local context.

Environmentally Sustainable Production

We want our customers to know that when they purchase our knitwear, they are supporting a company that aims to minimize their environmental impact. Thus, we only

use organic, renewable and recyclable materials and only working with those who have the same respect for the environment we do.

Because we share our customer's concerns for the welfare of animals, we use sheep's wool which can be removed from the animal without inflicting any harm. For this reason, we purchase our wool from farmers in the New Zealand merino industry, an industry that has ceased the cruel practice of surgical mulesing. Moreover, wool is a renewable and natural resource and will biodegrade when it is no longer a functional garment.

Our inner shells are made with 100% recycled materials and are 100% recyclable. Our lithium ion batteries do not contain any cobalt purchased directly from producers who exploit miners in the cobalt pipeline in the Congo.

All packing, labeling, and shipping materials are made of recycled plastic and paper.

Target Market

- Educated women who are fashionable working professionals, environmentally-conscious, and middle to upper-middle class.
- College age students in urban environments.

Our goals include plans to expand to other markets, including men's wear, children's wear, and a line of lower-priced items in order to be inclusive of other income ranges.

Competition

We hold a monopoly in this specific niche. There are currently no other companies that produce electronically-heated and fashion-minded knitwear for everyday wear both within and beyond our target market segment.

Risks

1. Because our knitwear relies on workers who have hand skills, and each unit is made without the benefit of machinery, we cannot utilize many of the benefits of the just-in-time supply chain and must make inventory for the entire season.
2. Demand may lessen during the spring/summer months for our current product line.

Opportunities

1. Though we are a niche, novel product, our pre-order demand has indicated that there is in fact a market for this type of knitwear.
2. We are poised to expand our product line to include men's and children's wear with little need for more funding going into research and development.

3. Because we have discovered this niche, we can dominate the market as a recognized name for this type of product line.
4. We can set the standard for other companies to be environmentally friendly Fair Trade garment producers by educating our customer-base on the effects “fast-fashion.”

Company Goals

Year 1 - Fulfill current demand and generate brand awareness by advertising with a specific lifestyle message

- Fulfill our pre-orders within the next two months to provide customers with the product for the colder months in early spring.
- Manufacture and store inventory for projected sales for the early fall season of 2017.
- Begin selling from both our ecommerce website and Amazon.com.
- Launch an marketing campaign for the fall/winter 2017 season.

Year 3 - Increase market reach

- Increase marketing team, process engineers, and customer service managers.
- Begin selling wholesale to other garment retailers nationally within our market segment so they can stock The Cable Knit in their stores.
- Increase sustainability and Fair Trade efforts throughout the supply chain.
- Begin shipping internationally (10+ countries).

Year 5 - Expand product line to other market segments and price-points

- Design and manufacture children's and men's knitwear.
- Develop product lines at lower price-points without sacrificing functionality and quality.
- Begin selling wholesale to international garment retailers.

Financial Statements

Cost Analysis

Materials per knitwear unit	Cost
Raw Sheep's Wool	\$1.45
Organic Dyes	\$0.50
Cotton Lining	\$0.55
Total	\$2.50

Materials per shell unit	Cost
Heating Cables	\$4.50
Lithium Ion Battery (\$100/Kwh)	\$14.80
Portable Charger	\$3.10
Binding Fabric	\$0.75
Total	\$23.15

Direct labor per knitwear unit	Cost
Knitting Hand Laborers	\$9.75
Sewing Hand Laborers	\$3.10
Total	\$12.85

Direct labor per shell unit	Cost
Production workers	\$0.55
Assembly workers	\$0.24
Total	\$0.79

Overhead per knitwear unit	Cost
Utilities	\$0.30
Packaging	\$0.02
Shipping (HQ and laborers)	\$0.06
Total	\$0.38

Overhead per shell unit	Cost
Utilities	\$0.20
Packaging	\$0.01
Shipping (HQ and factory)	\$0.04
Total	\$0.25

Total cost per knitwear unit	Cost
Total Materials	\$2.50
Total Labor	\$12.85
Total Overhead	\$12.85
Total Cost	\$28.20

Total cost per shell unit	Cost
Total Materials	\$23.15
Total Labor	\$0.79
Total Overhead	\$0.25
Total Cost	\$24.19

Fixed cost per month	Cost
Rent	\$1,500
Insurance	\$2,500
Administrative Costs	\$560
Advertising	\$1,320
Executive Salaries	\$5,000
Total	\$10,880

Total Cost Per Unit: \$52.39.

Retail Cost[†]: \$90

Unit Contribution Margin: \$37.61

Markup by 171.8%

We are selling our units this cost in order to price our items similarly to other retailers of knitwear within the buying pattern of our target market.

Breakeven Analysis

Fixed Monthly Expenses: \$10,880

Unit Contribution Margin: \$37.61

$$\$10,880 / \$37.61 = 289.2847$$

In order to breakeven, **290** sweaters will need to be sold monthly.

$$290 * \$90.00 = \mathbf{\$26,100 \text{ sales revenue per month.}}$$

Sensitivity Analysis

The following is a sensitivity analysis of net sales at a increase and decrease of 20%

At a 20% increase of budgeted sales:

$$290(.20) = 58$$

$$290 + 58 = 348$$

$$348 (\$37.61) - 290 (\$37.61) = \\ \$13,088.28 - \$10,906.9 =$$

\$2,181.38 gain

At a 20% decrease of budgeted sales:

$$290(.20) = 58$$

$$290 - 58 = 232$$

$$232 (\$37.61) - 290 (37.61) = \\ \$8,725.52 - \$10,906.9 = -$$

\$2,181.38 loss

Cash Collections

Desired loan amount:
\$100,000

Factors:

Collected cash	70%
Credit	30%
Collected current month	70%
Collected next month	30%

Revenue Calculations by Month

	<u>September</u>
Units sold	310
Revenue	\$27,900.00
	<u>October</u>
Units sold	356
Revenue	\$32,040.00
	<u>November</u>
Units sold	421
Revenue	\$37,890.00

Cash Collections by Month

<u>September</u>		<u>October</u>	
Revenue Sales	\$27,900.00	Revenue Sales	\$32,040.00
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$\$27,900.00 * .7$	= \$19,530.00	$\$27,900.00 * .7$	= \$22,428.00
$\$27,900.00 * .7 * .3$	= \$5,859.00	$\$27,900.00 * .7 * .3$	= \$6,728.40
From August	\$0	From September	\$2,511
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Total	\$25,389.00	Total	\$31,667.40

<u>November</u>	
Revenue Sales	\$37,890.00

$\$27,900.00 * .7$	= \$26,523.00
$\$27,900.00 * .7 * .3$	= \$7,956.90
From October	\$2,884

Total	\$37,363.50

We intend to use the borrowed money to focus heavily on launching an advertising campaign in order to boost brand awareness and increase our sales volume. Our bottom line is 15% equity in the company for no less than \$75,000. **We intend to repay the investor by offering the investor 10% of our net profit until their loan is paid off in full.**