

Section 9 Financial and business plan



Section 9 - Financial and Business Plan

9.1 Overall Financial Strategy

MORE FM's strategy in essence is simple – we will operate a station focused on our target market. We will invest properly in programming to build a product that listeners want. This focus on the listener will provide an attractive forum for advertisers, which ultimately provides a return for shareholders.

The strategy calls for a significant marketing spend to ensure successful awareness and trial, followed by steady growth of audience and (consequently) revenue.

There's a focus on staff incentivisation and training, of providing 24 hour news and programming, on strong financial management and on client service.

MORE FM is a well thought out, well researched proposition. It will deliver what this audience wants day in and day out, and will attract an audience share upon which this business will be built.

MORE FM's Board members have many years experience running successful businesses, big and small, both in Ireland and elsewhere. It counts among its members three of the original management team which built TV3 into the successful business it is today and is chaired by TV3's CEO David McRedmond who has a wealth of experience running successful businesses in Ireland, the UK and the USA.

MORE FM's management team will be lead by one of the most respected individuals in the Irish commercial radio sector, ably assisted by an experienced programme director, both of whom are identified in the confidential appendix.

MORE FM's Board and management team have developed a detailed financial plan which, while complex, is built on one essential principle – this business will be well-funded and financially viable.

Our revenue projections are conservative and based on prudent share estimates derived from vigorous research and analysis. This prudence is essential given the high fixed costs within the business.

MORE FM's cost projections are equally prudent, drawing on our management teams experience in running Irish commercial radio businesses.

MORE FM will be run tightly, and every cent will count. We have designed the business plan to be flexible enough to weather slower than expected audience or revenue growth, but equally to take advantage of any unexpected opportunities to further enhance the station.

We know that this is a long term game, and understand the need to invest in programmes, news, staff welfare, marketing and infrastructure.

MORE FM's profitability will come in the medium rather than the short-term, and will be built on the significant investment in programming and marketing detailed in this document coupled with tight cost control.

MORE FM's shareholder TV3 is committed to making this business a success and has the resources to ensure that should further funding be required that it will take the necessary steps to secure the business. This is a major license in a competitive environment and the shareholders have proved that they have a proven track record of operating a successful media business in perhaps the most competitive arena of all.

9.2 Investment Proposal

Table A – Funding

Funding Schedule (€'000s)	
	Total
Share Capital	7,200
Long-term Bank Debt	3,000
Bank Overdraft	500
Total Funding	10,700

Table B – Expenditure

Expenditure Schedule	
	(€'000s)
Capital Expenditures	(2,479)
Other Pre-operating Expenditure	(1,849)
Working Capital (at on-air date)	(421)
Total	(4,750)

9.3 Sources of Funding and Expenditure

9.3.i Sources of Funding

MORE FM's shareholder TV3 will invest €7,200,000 in equity funding. A further €3,000,000 in bank debt will be available. This will fund the start-up costs, capital expenditure and operating losses until the station breaks even. A further bank overdraft of €500,000 will be in place to fund working capital requirements.

9.3.ii Funding Timetable

Should our application be successful the following timetable for funding will apply

Funding Schedule (€'000s)				
	Year 1	Year 2	Year 3	Total
Share Capital	4,000	3,200	-	7,200
Long-term Bank Debt	3,000	-	-	3,000
Bank Overdraft	500	-	-	500
Total Funding	7,500	3,200	-	10,700

9.3.iii

Summary of Capital Expenditure

	€'000
Transmission	1,133
Studio Buildings	240
Studio Equipment	438
Office Fit-out	100
Other Costs	568
Total	2,479

9.4 Projections

9.4.i Detailed Projected Profit and Loss Accounts for the First Five Years

Profit and Loss				
	Pre- Launch	2008/09	2009/10	2010/11
	€'000	€'000	€'000	€'000
Net Revenue				
Local Sales		360	475	560
National Sales		2,528	4,825	7,353
REVENUE		2,888	5,300	7,913
Expenditure				
Variable Costs	43	552	948	1,389
Salaries and Wages	319	2,489	2,738	2,875
Administration	472	636	655	676
Programming	11	789	828	870
Technical	41	496	521	547
Promotion	963	1,303	958	1,006
EXPENDITURE	1,849	6,265	6,649	7,362
EBITDA	(1,849)	(3,378)	(1,348)	551
Fixed Asset Depreciation	0	(364)	(373)	(376)
Licence Amortisation	0	0	0	0
Net Profit / (Loss) before Finance costs	(1,849)	(3,742)	(1,721)	175
Interest on Bank Debt	(53)	(210)	(210)	(210)
Overdraft Interest		3	8	16
Interest Income	5	(1)	1	3
Tax	0	0	0	0
Net Profit/ -Loss after interest and tax	(1,896)	(3,950)	(1,923)	(15)

9.4.ii

Detailed Projected Expenditure Accounts by Area of Activity

	Pre- Launch	2008/09	2009/10	2010/11
	€'000	€'000	€'000	€'000
Expenditure				
Variable Costs	43	552	948	1,389
Salaries and Wages	319	2,489	2,738	2,875
Administration	472	636	655	676
Programming	11	789	828	870
Technical	41	496	521	547
Promotion	963	1,303	958	1,006
EXPENDITURE	1,849	6,265	6,649	7,362

9.4.iii Detailed projected balance sheets for the first three years
Balance Sheet

	As at 31/08/09	As at 31/08/10	As at 31/08/11
	€'000's	€'000's	€'000's
FIXED ASSETS			
Technical/Studio Equipment	672	597	523
Fixtures & Fittings	103	88	73
Computers/Offices Equipment	187	104	38
	962	789	633
CURRENT ASSETS			
Debtors	314	577	862
Bank/(Overdraft)	(426)	970	1,016
	(111)	1,547	1,878
CURRENT LIABILITIES			
Creditors	(303)	(95)	95
	(303)	(95)	95
NET CURRENT ASSETS			
	192	1,642	1,783
TOTAL NET ASSETS			
	1,154	2,431	2,416
REPRESENTED BY:			
Long Term Creditors:			
Bank debt	3,000	3,000	3,000
Share Capital	4,000	7,200	7,200
Surplus/- Deficit	(5,846)	(7,769)	(7,784)
	1,154	2,431	2,416

9.4.iv Detailed Projected monthly cashflow statements for pre-launch and the first three years

<u>Pre Launch</u>	<u>Sep-07</u>	<u>Oct-07</u>	<u>Nov-07</u>	<u>Dec-07</u>	<u>Jan-08</u>	<u>Feb-08</u>	<u>Mar-08</u>	<u>Apr-08</u>	<u>May-08</u>	<u>Jun-08</u>	<u>Jul-08</u>	<u>Aug-08</u>	<u>Total</u>
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Opening Bank Balance	250	75	100	126	126	126	126	73	20	(33)	1,819	787	0
Shareholders Funds Invested							0			3,000			250
Debt													3,000
													0
Cash Inflows													
Deposit Interest	0	0	0	0	0	0	0	0	0	2	2	1	0
Total Inflow	250	0	0	0	0	0	0	0	0	3,002	2	1	3,255

<u>Cash Outflows</u>	<u>Sep-07</u>	<u>Oct-07</u>	<u>Nov-07</u>	<u>Dec-07</u>	<u>Jan-08</u>	<u>Feb-08</u>	<u>Mar-08</u>	<u>Apr-08</u>	<u>May-08</u>	<u>Jun-08</u>	<u>Jul-08</u>	<u>Aug-08</u>	<u>Total</u>
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Wages & Salaries					53	53	53	53	53	53	53	53	319
Administration Costs	150									107	107	107	472
Programming Costs										4			4
Technical Costs											41	41	41
Promotion										40	340	340	380
Interest on Bank Debt												53	53
Outright Capital Purchases									826	826	826	826	2,479
Finance Lease repayments													0
Vat Payable on Purchases	26	0	0	0	0	0	0	0	0	159	166	232	583
VAT Recov. on Purchases	0	(26)	(26)	0	0	0	0	0	0	0	(159)	(325)	(535)
Total Cash outflows	176	(26)	(26)	0	0	0	53	53	53	1,150	1,033	1,328	3,796
Bank Bal. at end of period	75	100	126	126	126	126	73	20	(33)	1,819	787	(540)	

9.4.iv Detailed Projected monthly cashflow statements for pre-launch and the first three years

	Year 1 : 2008/2009												Total
	Sep-08	Oct-08	Nov-08	Dec-08	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09	
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Opening Bank Balance	(540)	246	(365)	282	20	(158)	414	150	(217)	(512)	(770)	(172)	(540)
Bank debt	0	0	0	0	0	0	0	0	0	0	750	0	0
Shareholder funds	1,000	0	1,000	0	0	1,000	0	0	0	0	0	750	0
Cash Inflows													
Debtors Receipts	0	0	245	349	349	245	245	245	314	349	419	419	3,180
Deposit Interest	(0)	0	(0)	0	0	(0)	0	0	(0)	(0)	(1)	(0)	(1)
	1,000	0	1,244	350	349	1,244	245	245	314	349	1,169	419	6,928
Cash Outflows													
Wages & Salaries	207	207	207	207	207	207	207	207	207	207	207	207	2,489
Variable Costs	46	46	46	46	46	46	46	46	46	46	46	46	552
Administration Costs	53	53	53	53	53	53	53	53	53	53	53	53	636
Programming Costs	66	66	66	66	66	66	66	66	66	66	66	66	789
Technical Costs	41	41	41	41	41	41	41	41	41	41	41	41	496
Promotion	109	109	109	109	109	109	109	109	109	109	109	109	1,303
Interest on Overdraft – 7%										(3)			0
Interest on Bank Debt		53				53			53			53	(3)
Out right Capital Purchases	0	0	0	0	0	0	0	0	0	0	0	0	210
Finance Lease repayments													1
VAT Paid on Purchases	89	89	89	89	89	89	89	89	89	89	89	89	0
VAT Payable on Sales	0	0	103	0	103	0	85	0	115	0	146	0	0
VAT Recov. on Purchases	(398)	(178)	(186)	(186)	(186)	(186)	(186)	(178)	(178)	(186)	(186)	(186)	552
Tax Payable													(1,312)
Total Cash outflows	213	611	598	611	528	672	509	611	610	607	571	672	6,813
Bank Bal. at end period	246	(365)	282	20	(158)	414	150	(217)	(512)	(770)	(172)	(426)	(426)

9.4.iv Detailed Projected monthly cashflow statements for pre-launch and the first three years

	Year 2 : 2009/2010												Total
	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10	
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Opening Bank Balance	(426)	401	(8)	(317)	(295)	(339)	429	224	54	(147)	(125)	(119)	(426)
Shareholders Funds	1,200					1,000						1,000	3,200
Cash Inflows													
Debtors Receipts	105	210	449	641	641	449	449	449	577	641	770	770	6,151
Deposit Interest	0	0	0	0	0	0	0	0	0	0	0	0	1
Total Cash Inflows	1,305	210	449	641	641	1,449	449	449	577	641	770	1,770	9,352
Cash Outflows													
Wages & Salaries	228	228	228	228	228	228	228	228	228	228	228	228	2,738
Variable Costs	79	79	79	79	79	79	79	79	79	79	79	79	948
Administration Costs	55	55	55	55	55	55	55	55	55	55	55	55	655
Programming Costs	69	69	69	69	69	69	69	69	69	69	69	69	828
Technical Costs	43	43	43	43	43	43	43	43	43	43	43	43	521
Promotion	80	80	80	80	80	80	80	80	80	80	80	80	958
Interest on Overdraft - 7%	(8)		(0)				1			(1)			(8)
Interest on Bank Debt			53		53				53				210
Out right Capital Purchases	8	8	8	8	8	8	8	8	8	8	8	8	102
Finance Lease repayments													0
VAT Paid on Purchases	55	57	66	57	57	66	57	57	66	57	57	66	717
VAT Payable on Sales	55	0	189	0	189	0	156	0	211	0	267	0	1,067
VAT Recov. on Purchases	(186)		(112)		(123)		(123)		(114)		(122)		(780)
Tax payable							0						0
Total Cash outflows	478	619	758	619	686	681	654	619	778	619	764	681	7,956
Bank Bal. at end period	401	(8)	(317)	(295)	(339)	429	224	54	(147)	(125)	(119)	970	970

9.4.iv Detailed Projected monthly cashflow statements for pre-launch and the first three years

Year 3 : 2010/2011	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11	Jul-11	Aug-11	Total
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Opening Bank Balance	970	477	182	(44)	237	368	297	198	189	120	401	608	970
Shareholders Funds													0
Debt													0
Cash Inflows													
Debtors Receipts	192	385	670	957	957	670	670	670	862	957	1,149	1,149	9,290
Deposit Interest	1	0	0	0	0	0	0	0	0	0	0	1	3
Total Cash Inflows	193	385	670	957	958	671	670	670	862	958	1,149	1,149	9,293
Cash Outflows													
Wages & Salaries	240	240	240	240	240	240	240	240	240	240	240	240	2,875
Variable Costs	116	116	116	116	116	116	116	116	116	116	116	116	1,389
Administration Costs	56	56	56	56	56	56	56	56	56	56	56	56	676
Programming Costs	72	72	72	72	72	72	72	72	72	72	72	72	870
Technical Costs	46	46	46	46	46	46	46	46	46	46	46	46	547
Promotion	84	84	84	84	84	84	84	84	84	84	84	84	1,006
Interest on Overdraft - 7%	(4)			(4)		(5)			(3)				(16)
Interest on Bank Debt		53			53				53			53	210
Out right Capital Purchases	3	3	3	3	3	3	3	3	3	3	3	3	31
Finance Lease repayments													0
VAT Paid on Purchases	63	64	73	63	64	73	63	64	73	64	64	73	801
VAT Payable on Sales	134	0	282	0	282	0	233	0	316	0	399	0	1,646
VAT Recov. on Purchases	(123)	0	(127)	0	(136)	0	(137)	0	(127)	0	(136)	0	(787)
Tax Payable						0							0
Total Cash outflows	686	680	897	676	826	742	770	680	930	677	942	742	9,247
Bank Bal. at end period	477	182	(44)	237	368	297	198	189	120	401	608	1,016	1,016

9.4.v Underlying Assumptions

General

The Launch date of MORE FM is estimated to be September 1st, 2008.

The assumptions for the financial forecasts are detailed below. The financial year will run September 1st to August 31st

MORE FM will be financed by shareholders funds, bank debt and overdraft facilities.

Peak funding requirement is €10.7m.

Cashflow

On average VAT Rates on purchases (excluding Wages & Salaries) are assumed to be 17% - this is to take into account purchases at 21%, 13.5% and zero %.

VAT on sales 21% as all sales assumed to be generated in the Republic of Ireland

Although our trading terms are 30 days, collection of debtor receipts assumed to be 60 Days from month of invoice

We assume most are costs paid evenly throughout the year; with the exception of costs in the pre-launch period where the timing of each individual cost is estimated.

We assumed also for simplicity that costs are payable when incurred.

For simplicity all capital expenditure is assumed to be purchased outright.

Bank debt drawn down three months prior to launch. The interest rate on these loans is assumed to be 7% per annum on the cumulative balance.

Interest on overdraft balances assumed to be at 7% per annum payable quarterly.

Assumed bank overdraft facility of €0.5m.

Interest on Bank Debt assumed to be at 7% per annum payable quarterly.

Income & Expenditure

Advertising Expenditure Projections 2007-2011					
	2007	2008	2009	2010	2011
Radio	+10%	+5%	+4%	+4%	+4%

Source : Mindshare estimates

We estimate that €86.4m “national” revenue (net of agency commission) was spent within our marketplace in 2006 and this is the total we regard as the potential scale of national revenues available to More FM.

National revenue is primarily based on primetime weekday 15+ audience shares projections:-

2008/9	5.4%
2009/10	7.6%
2010/11	8.7%

- 2008/2009 projections of radio revenue growth for the period
- Discounted total available revenues by 30% on the assumption that certain national advertisers would be unlikely to be interested in a strong 45+ audience
- Discounted Year 1 projections by 45% given no JNLR data for up to six months
- Discounted Year 2 projections by 25% on a conservative basis given some advertisers will take at least two planning cycles to add MORE FM to their schedules

Local advertising has been included in our projections given the buying behaviour of certain larger Dublin and Cork based advertisers who currently use national media despite geographical wastage. Revenues from this sector increase over Years 1-3 and then decrease as our rates harden.

Revenue Projections			
	National	Local	Total
2008/9	€2,528,000	€360,000	€2,888,000
2009/10	€4,825,000	€475,000	€5,300,000
2010/11	€7,353,000	€560,000	€7,913,000

We assume agency fees of 17%. This takes into account the standard 15% agency fee and allows 2% for early payment and volume discounts.

We assume no BCI fee.

We assume bad debts of 1.5% of net revenue per annum.

The prelaunch period has begun.

The main prelaunch costs will be incurred following the successful application for this radio licence.

Senior management will be put in place first. It is then envisaged that all other staff will begin either a month or two month's before the station's launch date.

General administrative costs (for example rent, rates, utilities, office costs) are assuming to be incurred 3 months prior to the launch date.

MORE FM will engage in an intensive longterm launch campaign. A total of €2,000,000 will be spend between prelaunch and the end of year one.

Depreciation has been provided on fixed assets at varying rates - 10-33%, depending on the asset class.

Deposit Interest on cash balances assumed to be earned at a rate of 1% per annum.

Assume no corporation tax liability as profit made in later years will be covered by tax losses carried forward in the business.

Tax on Deposit Interest calculated at 25% - Not included in this model as not material

Inflation rate is assumed to be 5% p.a.

Demographics

Total Population – 1,958,000

45+ population – 772,968

9.4.vi Timetable for achieving profitability

It is projected that MORE FM will turn profitable in the second half of its third year of operation.