



Sustainable Community Development

through **Shared Value**

Contact:

Keith T. Brown, Executive Chairman | 919.451-1006 | ktb1590@gmail.com

January 2014

Executive Summary

Melana is excited to present an opportunity to uplift and transform communities through a unique market driven local economic development strategy. The strategy is centered around the development of a self sustaining model that supports schools, multi functional community halls, training centers, medical support centers, etc.

Generally community schools, training centers, etc. are supported by local and international donor funding. This creates a case where beneficiaries, after school/training/etc. tend to want to move to the area from where the money came. Ultimately, this does not provide satisfactory benefit to the community. Melana's proposed community transformation initiatives will be sustained by the community it operates in through a commerce based model, including grocery and hardware franchises. The type of initiative(s) will be determined on a per-project basis and may include some or all of the named initiatives.

In essence, there are two different scenarios for the establishment of the said franchises. These can be summarized as follows:

- Establishment of the the said commerce initiatives within existing retail centers.
- Establishment of the said commerce initiatives in the to-be developed Melana centers.

In the case of existing centers, Melana has approached the relevant franchisors as well as a leading leasing agent, instructing them to identify extremely attractive shop locations within existing centers. This approach provides the following advantages:

- Existing centers have proven track records for drawing large amounts of people, effectively reducing the risk of franchise failure.
- The said franchises can start operating fairly quickly, generating substantial short term income. The necessary time frame is only limited by the time required to obtain sufficient funds and a two to three month lead time for shop fitting.

Where these franchises will be established within to-be developed Melana centers, the following process will be followed where possible:

- Temporary structures with grocery and hardware franchises prior to construction (where possible). This may present a significant advantage to the franchises because, above sales to the general public, it is able to provide the construction project with required supplies and provide construction workers with food and drinks.
- Transfer of the temporary franchise and existing equipment into permanent stores within the center.

Franchises will not only supply the surrounding community with much needed supplies but will also act as a platform for ongoing practical capacity building, training and mentorship to people in the community. This effectively creates community trust through loyalty because program beneficiaries feel that their own community contributed to their success.

Everyone at Melana is very excited, as this opportunity sits at the heart of what Melana has envisioned from the very beginning and we believe that this will set the bar in terms of all Melana's future developments!

Table of **Contents**

Introduction	1	Appendix A - Franchise Information	13
Franchise Management Services	2	OBC Franchise Information	14
The Revenue Generating Drivers	3	DIY Franchise Information	16
The Opportunity	5	DIY Franchise Financial Information	18
The Community Development Model	6		
Franchise Financial Projections	8		
Annual Cash Flow and Investor Returns	9		
Investor IRR Calculations	10		

“Coming together is a beginning;
keeping together is progress;
working together is success.”

- Henry Ford

Introduction

An estimated 90% of urban growth worldwide will occur in developing countries. The United Nations stated in a 2007 report that the urban population in African and Asian cities will double by the year 2030, adding 1.7 billion people to these cities. That is more than the combined population of present day China and The United States. 95% of the population on the African continent falls within the emerging market and is responsible for 71% of the African Market. The average emerging market consumer is a debt-free consumer with a growing expendable income. Over 250 million Africans will have disposable income for the first time within the next decade.

As stated by Dr. Andrew Kuper in a McKinsey & Company insight² in February 2014: "In fact, as books like *Portfolios of the Poor*¹ show, 85 percent of low-income and emerging consumers are not destitute, are not pure recipients. They are working, striving people who are managing money and who are typically engaged in 16 financial transactions at any one time—borrowing from here, promising to pay there, protecting themselves here and there. And there is an opportunity to serve them with much more efficient tools."

"once you put this synergistic combination together of profit and purpose, the results you get on both sides are stronger. Since the Industrial Revolution, this notion of a trade-off that has been practiced has actually been a fetter on humanity. And we can liberate businesses, we can liberate investors, and we can really liberate societies to invest in a very different way because of this demonstrated performance of the purpose-driven business."

The combination of the immanent growing opportunities in the emerging consumer market and a profit-with-purpose shared value business model, Melana is strategically positioned to pioneer socio economic change in Africa.

Franchises composes around 12.5% of South Africa's GDP and is a substantial contributor to South Africa's economy. It grows annually by approximately 25%. Even though franchises are considered excellent investment opportunities, only 5% of all prospective franchise buyers actually go through with establishing a franchise branch. This fallout rate can mainly be attributed to two major factors:

- Locating suitable shop space (Location Location Location!)
- Intense operational involvement from the owner/manager. Prospective buyers of emerging market focussed franchises are too often turned down by the fact that they are required to travel long distances every day.

AURM is a professional franchise management service that performs several franchise management functions on behalf of franchise owners. In essence, this service allows Melana to effectively rollout franchises without intense operational involvement and allow for Melana to scale its franchise model. AURM will effectively run the Melana owned franchises on behalf of Melana and its investors.

AURM will not only provide critical functions ensuring the success of the franchise but also provide ongoing practical mentorship and training.

The franchisors aid in identifying staff and ensure that the staff operating within each franchise are well trained and of high quality.

1. Daryl Collins, Jonathan Morduch, Stuart Rutherford, and Orlanda Ruthven, *Portfolios of the Poor: How the World's Poor Live on \$2 a Day*, Princeton, NJ: Princeton University Press, 2009.

2. http://www.mckinsey.com/Insights/Financial_Services/Profit_with_purpose_Alternative_investing_for_emerging_markets?cid=other-eml-alt-mip-mck-oth-1402

Franchise Management **Services**

AURM provides professional franchise management services that perform several franchise management functions on behalf of franchise owners. Additionally AURM aids in identifying staff and ensure that the staff operating within each franchise are well trained and of high quality. AURM management services can be summarized as follows:

Melana Franchise Functions Summarized:

Strategic Planning	Operational Involvement
<ul style="list-style-type: none">● Financial Planning● Business Planning (Action Plan) for every Franchise type● Competitor awareness program● Finding new franchises ideally suited for the African Urban market● Relationship building with franchisors● Price and product negotiations with suppliers● Controlling shrinkage● Professional alliances: SA Council for Shopping Centers, etc.	<ul style="list-style-type: none">● Appointment of Field Service Consultants● Appointment of franchise staff● Regular site visits● Mentoring of managers● Staff training● Promotions● Stock Control● Quality Control
Business Management	<ul style="list-style-type: none">● HR Functions● Financial Management● Ensuring effective use of IT systems

“It’s not a trade-off between money and meaning - **it’s synergy**. Businesses that pursue both profit and purpose **achieve outstanding performance.**”

from: **Profit with purpose:** Alternative Investing for Emerging Markets
by: **Dr. Andrew Kuper** - President of LeapFrog Investments

The Revenue Generating **Drivers**

Melana has identified several drivers that will form part of an opportunity to uplift and transform communities in South Africa through a unique market driven economic development strategy. The strategy is centered around the development of revenue generating sources that will support several social initiatives in a long term sustainable manner. These social initiatives will be located within close proximity of the revenue generating sources and may contain existing or Melana developed community halls, schools, training centers, etc.

Proposed drivers include the following:

OCB Meat and Chicken

OCB Meat and Chicken is an established and recognized retail brand servicing the emerging and mid-income market, meeting the need for quality chicken, privately branded products and essential grocery items at affordable prices. Driven and managed by the central buying division, OCB Meat and Chicken offers franchisees the benefits of its bulk buying power. OCB buys in bulk, warehouses centrally and delivers to the stores quickly and efficiently, ensuring both quality and pricing. Driven and managed by their central buying division, OCB is now a major player with big brand suppliers which plays a major part in improving franchisee profitability. More information on OCB Meat and Chicken can be found in Appendix A below.

OCB Meat and Chicken supports the low to mid income market sector by creating a solid brand offering around the promise of 'quality, affordability and convenience', with over 58 stores open nationwide.

According to information received from OCB Meat and Chicken the average turnover for a 600m² OCB located in Gauteng is R3,200,000 per month (R38,400,000 per annum) with an average trading density of R5,333/m² per month (R64,000/m² per annum).

DIY Depot Hardware

DIY Depot is cementing its position as the country's leading franchise in the supply of building materials, hardware, DIY supplies, paint and paint related products, with over 107 stores open nationwide. The strength and success of the DIY Depot Group is due to the solid foundation of experience and proven business systems used by the owners of the group in their stores for over 25 years. More information on DIY Depot Hardware can be found in Appendix A below.

According to a disclosure document received from DIY Depot, stores have a national average trading density of R1,500/m² per month (R18,000/m² per annum). Consequently, DIY Depot national turnover averages are as follows:

Description		Monthly Turnover (R)	Annual Turnover (R)	Size (m ²)
DIY Trading Depot	R	300,000	3,600,000	200
DIY Paint and Hardware	R	600,000	7,200,000	400
DIY Depot - Comprehensive	R	1,200,000	14,400,000	800

The Drivers Continued

Health and Fitness Center

Health and wellness is becoming a trending topic for the aspiring consumer. In the LSM 4-7 market, health and fitness centers are scarce and far apart and Melana believes that there is a massive underserved gap to provide these people with a place to exercise, socialize and become health conscious.

The idea is to develop low-cost health and fitness centers for the LSM 4-7 market. The fitness center will contain the usual machines and free weights but will exclude features that make gyms expensive like the swimming pools and the cost of sales commissions. Distinctive services and offerings will include:

- High end quality commercial equipment without the unnecessary features like built-in Televisions in treadmills. Equipment should be affordable to service and maintain while being user friendly and easy to use.
- More unique functional training equipment than heavy machinery consequently accommodating more members per floor area at a specific time.
- Exclusive training products like an indoor boxing ring, catering for specific target market trends.
- Staff members will do everything, from sales to admin to conducting fitness classes saving on operational costs.
- Occasionally, health professionals will visit the gym for health and wellness needs.

Ascertaining the demand

The potential of these local gymnasiums are mainly determined by the size of the local population and the location of the proposed gymnasium. Many existing retail centers of various sizes are currently operating without gym facilities. This argues the gap in the market as the only existing gyms are very small and home based lacking modern and social services.

Proving the demand

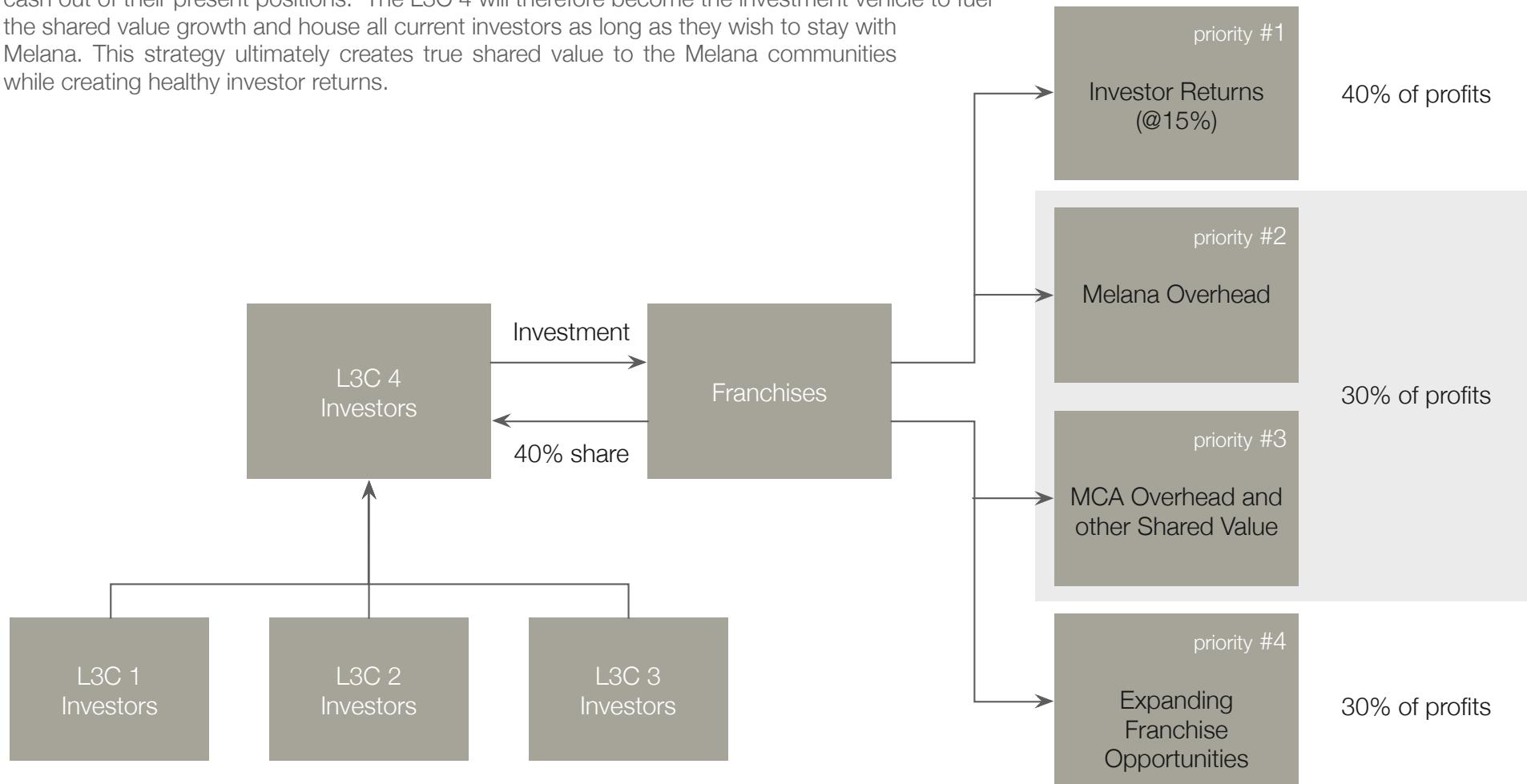
The charge for this new low-cost gym will be R175 a month. As a comparison, competitor gyms such as Just Gym and VA Express Clubs charge between R139 and R199 a month.

Joining members will also be responsible for paying a small “joining fee” that will comprise of a health assessment/screening, indemnity consent, program prescription and an “introduction to the gym”.

The Opportunity

Melana would like to present the opportunity to invest in a new OBC Grocery franchise, for the total amount of \$ 330,000 for a 38% share in the said franchise with an expected Return on Investment (ROI) of over 15.5% in the first year (12 months). A portion would cover Melana's shortfall in overhead. The remaining revenues would be split in half, the first half going to Melana related shared value opportunities starting with MCA's overhead and its associated operational needs. Thereafter it would be allocated to other chosen shared value opportunities. The other half of the remaining profits would go to purchasing other franchise opportunities thereby expanding this operation. Melana's goal is to become self sustainable and not dependent on additional investment as Melana expands this opportunity to create more shared value revenues.

An L3C 4 investment vehicle will be created to accommodate the L3C 1, 2 and 3 investors that wish to keep their money in Melana's operations as they cash out of their present positions. The L3C 4 will therefore become the investment vehicle to fuel the shared value growth and house all current investors as long as they wish to stay with Melana. This strategy ultimately creates true shared value to the Melana communities while creating healthy investor returns.



The Community Development **Model**

Community Development **approach**

Melana's approach to social development will be centered around community development rather than service delivery. The difference between the two can be explained as follows:

Service delivery is focused on meeting the needs of a community through a project or program. Even though there is scope for local capacity building in a service delivery model, the key performance indicators are defined around the quantity and quality of the service being delivered. In the case of a school for example, the drive is towards the number of students that can be accommodated as well as the quality of the education. And even though there are skills transferred to the teachers and management, the primary drive and initiative behind the school lies with individuals and/or organizations outside of the community.

Community development has a stronger focus on building capacity and supporting existing local individuals or organizations. The key performance indicator in this scenario is local organizational capacity and sustainability from within the community with regards to both financial and organizational capacity. The quality of the service is addressed through benchmarking and the introduction of best practices but is not enforced and adoption/compliance remain voluntary.

Community Development **Benefits**

The benefits of adopting a "bottoms up" community development approach are as follows:

Sustainability

If the initiative behind an intervention comes from a local organization it means that the responsibility ultimately stops with them. These type of projects typically face a diverse set of challenges on a daily basis. If the initiative and decision making lies with local people the initiative tends to be more resilient against set-backs. If the initiative and decision making lies with a group or individual from outside the community the local management and staff will only wrestle through challenges to a limited extend before turning to the outside party. In other words, sustainability are not limited to funding only but a truly sustainable project/program will also requires problem solving through strong local leadership.

Local Leadership Development

Local leaders are formed in practice. A common mistake by well meaning social development organizations are that they start out as a service delivery organization with the intent to transfer enough skills that the organization can become locally operated over time. The problem with this approach is that the most important lessons and experience come from the start-up phase of the project, specifically related to problem solving.

Reduced Operational Responsibility

Melana will already have a large management and administration task with the roll out of commerce centers and franchises. The additional burden of operating multiple social projects and programs around each commerce centre will become the major constraint in Melana's expansion potential.

The Community Development Model continued

Even though Melana will place emphases on a community development approach, there will, however, be a place for service delivery in the Melana model. Melana is involved with specific projects centered around education and training to serve as a benchmark and best practice model to the many local initiatives that it will be supporting.

Community Development **Impact**

Community Development Model will achieve the following impact in communities where the model is implemented.

- Improve accessibility to quality products
- Establish a platform for local capacity building, training and mentorship
- Support local businesses
- Establish revenue generating drivers to fuel sustainable social development

Community Development **Program**

Melana follows a ground level approach in the distribution of shared value. In order to navigate the complexity of the African urban context to identify specific projects, initiatives or businesses that would benefit exponentially from shared value contributions requires a excellent understanding of the culture, landscape and worldview of African communities. This insight is gained from a Community Development Program (CDP) initiated by Melana. The CDP is built up to be tailored to every community from inputs gathered through community engagement, structured interviews, community profiling, human capital / resource mapping and cultural interpretation. The CDP also involves the appointment of Local Development Liaison officers (LDLO's - to act as interpreters between Melana and the community) and Local Development Practitioners (LDP's - Local leaders that are currently involve in local development efforts on various levels). Through this sensitive approach and multilayered structure Melana will be able to:



The Community Development Model continued

Shared Value Initiatives

As explained in the previous sections, the Community Development approach involves identifying projects, initiatives and organizations that are existing and already functioning or new projects that respond to immediate needs of the community. These projects, initiatives and organizations will be identified through Melana's Community Development Program in order to manage shared value contributions to have maximum impact. This means that the shared value contributions can be applied to a large variety of shared value opportunities that respond to community needs. Shared value contributions are therefore allocated in order to achieve context specific, catalytic, multiplying effects on the community as a whole.

“...in order to do something big, to think globally and act globally, one starts with **something small and one starts where it counts.**”

- Nabeel Hamdi

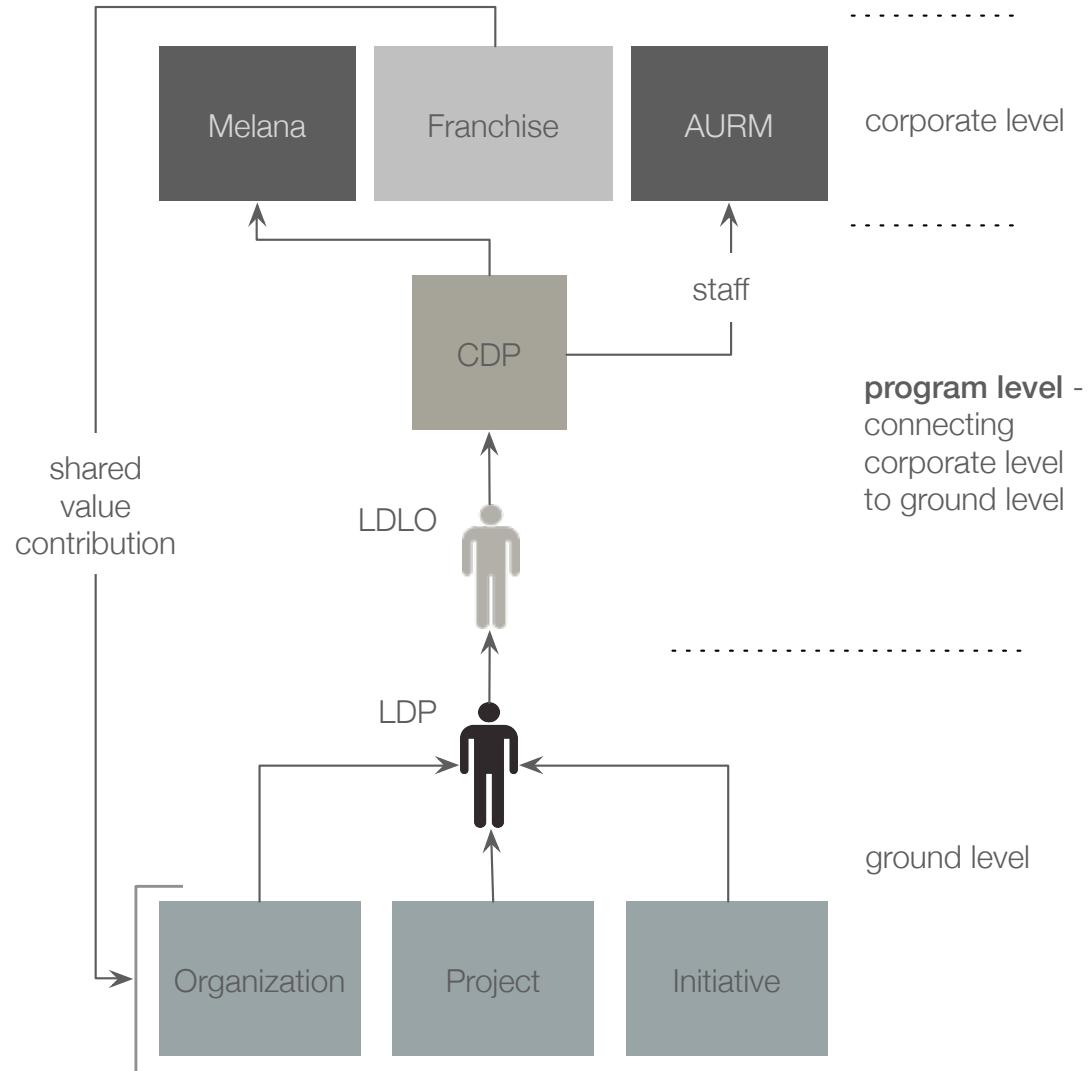
Author: Small Change

Abbreviations:

LDLO - Local Development Liaison Officer - Consultant with expertise in community engagement.

LDP - Local Development Practitioner - Established leaders in the community involved in various existing initiatives.

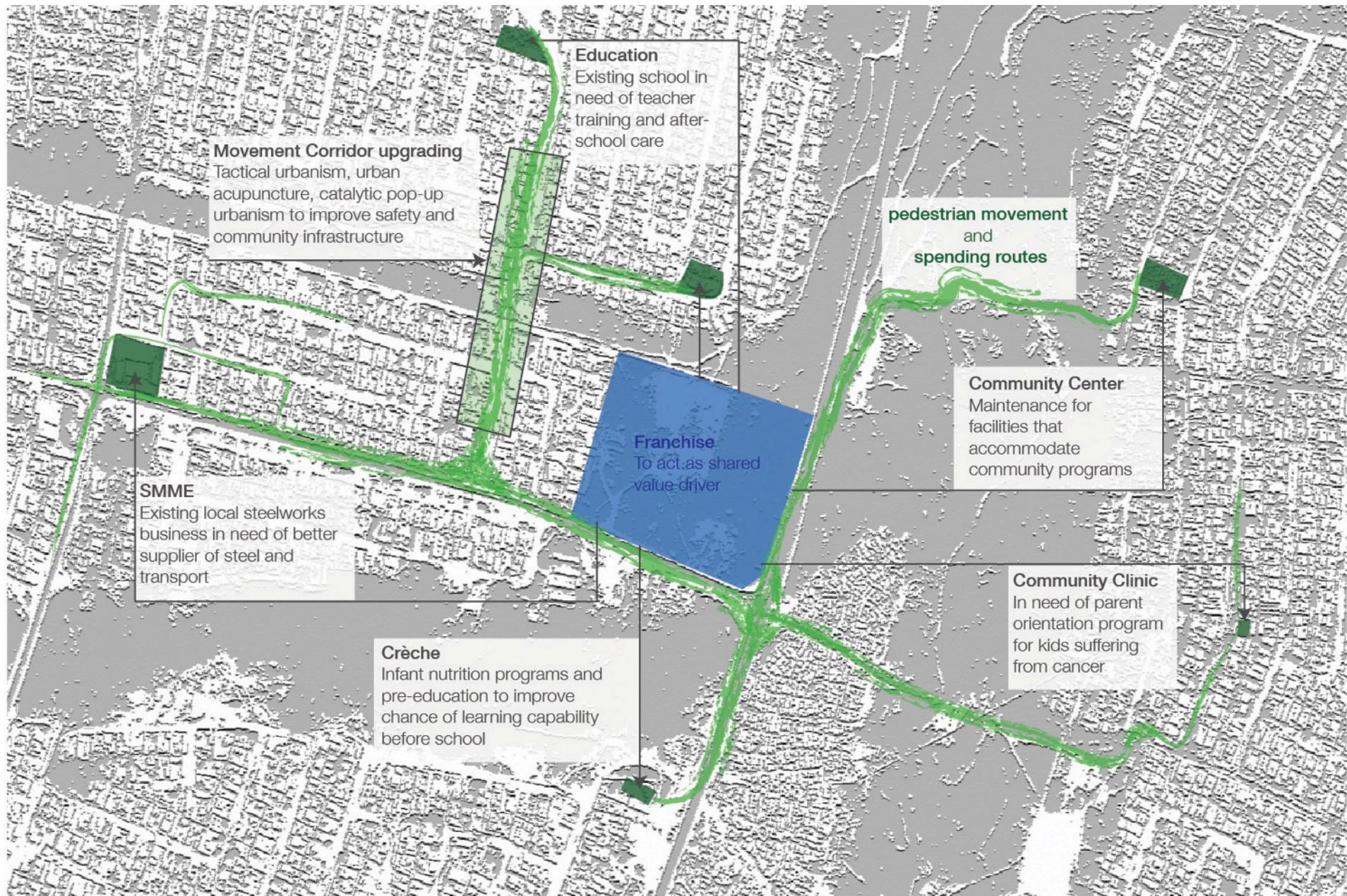
CDP - Community Development Program



Note: Upward arrows indicate flow of identified shared value initiatives

The Model Continued

The map below illustrates typical examples of where shared value contributions:



The Model Continued

Sustainability

Melana will work with AURM to create an alternative staff development program where staff members will be treated as people with a higher purpose. When employees are interviewed, staff with entrepreneurial talent will be identified. The franchise will then function like a practical training college. If an employee excels through a personal development program, the employee will be assisted to acquire his own satellite franchise (small containerized store) store or promoted within the company as a specialist field service consultant.

The Franchise as an Enterprise Development Tool

One of the first things visitor notice when traveling through predominately black townships in South Africa is the amount of foreigners operating small retail businesses. These stores (known as "Spaza stores" in South Africa) are predominantly owned by Pakistan Nationals. Cumulatively these Spaza stores represent approximately 30% of the economic activity of a typical South African township. For a community such as Kwamhlanga with a population of 300,000 people this would represent a turnover of more than R100 million per month! One cannot help to ask yourself why this is the case, surely the locals are better positioned for these kind of businesses in their own communities?

The first assumption is generally - a lack of skill/capacity and capital. This is, however, only part of the true challenge. The real challenge that is often overlooked by enterprise developers is access to supply. Pakistan owned Spaza stores look like small independent businesses run by small time entrepreneurs, but in reality they function more like a single decentralized organism. These networks are often controlled by wealthy Muslim business men that control the supply chain and the store operators are much closer to marginalized workers than independent entrepreneurs. These stores also acts as a platform for Islam to penetrate these vulnerable communities.

Through the Melana franchise model, all of the three key enterprise development components can be provided namely:

1. Capacity building through the staff development program.
2. Access to Capital through the Melana Shared Value program.
3. Access to a formal supply chain where the locally owned satellite store (small containerized store) will be supplied by the main franchise store. This "hub and spoke" distribution model will give the local entrepreneurs a comparative advantage when compared to foreigners.

Through this franchise centered development model, Melana will lay the foundation for hundreds of local entrepreneurs to compete for the markets in their on communities and to create value that will drive social upliftment.

OBC Financial Projections and **Investor Returns**

Setup Cost

Description	Amount (\$)
Setup cost of an OBC Grocery Store*	US\$330,000
Total	US\$330,000

Net Operating Income

Description	Monthly Amount (\$)	Annual Amount (\$)
Expected Revenue	US\$300,000	US\$3,600,000
Less: Cost of Goods Sold **	US\$225,000	US\$2,700,000
Less: Operating Expenses ***	US\$48,000	US\$576,000
Less: Aurm Management (4% of Revenue)	US\$12,000	US\$144,000
Net Operating Income	US\$15,000	US\$180,000
Tax @ 28%		US\$50,400
Net Income after Tax (Amount available for dividends)		US\$129,600

Investor Return on Investment for a 40% share (0.4 * Net Income after Tax / Setup Cost)

15.71%

Annual Amount: US\$51,840

* All inclusive (Shop Fitting, Stock, Working Capital)

** Cost of goods sold calculated as follows: Grocery - 75% of Revenue (25% Gross Margin)

*** Operating expenses calculated at 16% of revenue

All values shown are for a Grocery franchise in 2014.

OBC Annual Growth of Financial Projections and **Investor Returns**

	2013 Amount (\$)	2014 Amount (\$)	2015 Amount (\$)	2016 Amount (\$)
Setup Cost				
Description				
Setup cost of an OBC Grocery Store*	US\$330,000			
Total	US\$330,000			

Net Operating Income Calculations

Description

Expected Revenue	US\$3,600,000	US\$3,816,000	US\$4,044,960	US\$4,287,658
Less: Cost of Goods Sold **	US\$2,700,000	US\$2,862,000	US\$3,033,720	US\$3,215,743
Less: Operating Expenses ***	US\$576,000	US\$610,560	US\$647,194	US\$686,025
Less: Aurm Management (4% of Revenue)	US\$144,000	US\$152,640	US\$161,798	US\$171,506
Net Operating Income	US\$180,000	US\$190,800	US\$202,248	US\$214,383
Tax @ 28%	US\$50,400	US\$53,424	US\$56,629	US\$60,027
Net Income after Tax (Amount available for dividends)	US\$129,600	US\$137,376	US\$145,619	US\$154,356

**Investor Return on Investment for a 40% share
(0.40 * Net Income after Tax / Setup Cost)**

15.71%	16.65%	17.65%	18.71%
Annual Amount: US\$51,840	Annual Amount: US\$54,950.40	Annual Amount: US\$58,247.42	Annual Amount: US\$61,742.27

* All inclusive (Shop Fitting, Stock, Working Capital)

** Cost of goods sold calculated as follows:

Grocery - 75% of Revenue (25%
Gross Margin)

*** Operating expenses calculated at 16% of revenue

Annual revenue growth assumed at 6%. Cost of goods sold and operating expenses calculated proportional to revenue of relevant year.



Appendix A: Franchise Information

OBC Franchise Information



OBC FRANCHISE DEVELOPMENT

A UNIQUE COMBINATION of quality chicken, quality private brand products and a range of essential grocery items is coupled to an established and promoted brand, and a fresh, clean and modern shopping environment to provide a unique combination that has led to OBC Chicken being one of the fastest growing retail chains of its type in South Africa.

OBC Chicken has a proven ability, through its 60 outlets, to attract and increase customer count, extend its unique offering to new customers and provide a fresh and modern environment to their consumers.

WHERE WE COME FROM

Founded in 1987, OBC Chicken has created exceptional growth and qualified success.

The OBC Chicken decision to franchise the idea was taken in 1998 through numerous requests to purchase additional OBC Chicken outlets. At this point OBC Chicken, which started with 12 Company owned stores, now boasts over 60 company owned and franchise stores throughout Gauteng, North West, Northern Province, Free State, Mpumalanga, Kwa-Zulu Natal and Northern Cape provinces.



HOW DID WE GET THERE?

OBC Chicken primarily supplies to mid income markets and provides a convenient supply of quality chicken, basic foodstuffs, outstanding service and affordable quality.

While OBC Chicken is obviously famous for fresh and frozen chicken and chicken related products, a range of other convenient and market related products such as fish, cold and processed meats, eggs and meat products are also available to add to the total appeal expected by the OBC Chicken customer.

OBC Chicken, however, has created a point of difference - a strong, recognisable brand that millions of consumers know and enjoy. OBC Chicken invests in retaining and creating new consumers through continuous marketing efforts. From the presentation and look of each store to the millions of promotional leaflets distributed monthly to the promotions and commitment to service excellence have collectively established a point of difference that retains our customer loyalty.



Tel: 0861 OBC OBC
www.obchicken.co.za

OBC Franchise Information



OBC ON THE MOVE

OUR VISION
Our vision is to be recognised as the fastest growing and the most efficient retail supply chain in Southern Africa, conveniently serving the mid income markets with outstanding service, products and affordable quality.

OUR OPPORTUNITY
OBC Chicken trade in and will develop stores in areas that are able to provide a proven, sustainable monthly return.

OUR LOCATION
A key success factor for OBC Chicken is their proximity and convenience to the market. Our consumers invariably live a distance from their place of work and are required to commute by taxi or public transport daily.

OUR MEAT

OUR MEAT

Each OBC Chicken store interior is professionally designed and fitted to the highest quality and material standards. The OBC Chicken commitment is to ensure this high specification allows our customers to enjoy a pleasurable and safe shopping experience.

COMPETITORS

OBC Chicken has no problem positioning themselves in close proximity to existing competitors. The ideal site, besides the prime location would also consider the location in proximity to national chains and independent retail outlets.

STORE SIZES AND QUALITY STANDARDS

An OBC Chicken store is, on average, between 400 and 600 m² and will cost approximately R3 million to establish, a sizeable investment that ensures the required standards.

While proximity is essential, store units should also have a ground floor

location, preferably with customer

parking area and facilities to include

entrances, receiving and delivery

bays and preparation areas.

Potential new sites, therefore, need to have either a significant feeder population within a convenient vicinity of the store site or a population that travels to and from a place of work.

While OBC Chicken conducts detailed surveys of potential store areas prior to finalising the decision to open a new site, an understanding of the OBC Chicken brand and their requirements eliminates the guesswork.

OUR LOCATION

A key success factor for OBC Chicken is their proximity and convenience to the market. Our consumers invariably live a distance from their place of work and are required to commute by taxi or public transport daily.



ADS11341



€Kra2-2

enkafew

Tel: 0861 OBC OBC
www.obchicken.co.za

OBC GROUP (PTY) LTD, 82 Lechwe street, Corporate Park South, Midrand, Gauteng, 1685
P.O.Box 197, Roothuiskraal, 0154, Tel: (011) 314 8700 Fax: (011) 237 6160



Tel: 0861 OBC OBC
www.obchicken.co.za

DIY Franchise Information

32 Reasons for joining the DIY DEPOT Group.

1. Strong corporate identity.
2. Most competitive rebate structure in the industry.
3. Affordable monthly franchise fees.
4. Access to building supplies and cement.
5. Monthly leaflet promotions.
6. Preferential rental rates due to our strong alliance with many of the large shopping centre landlords.
7. DIY DEPOT branded merchandise (including complete handtool range).
8. Guaranteed access to the Plascon paint brand.
9. 100+ moving billboards in the form of our delivery fleet constantly visible on all major routes.
10. A fully fledged training centre - offering courses in all aspects of hardware store management from finance and back office to IT and product knowledge with courses held in all major city centres regularly.
11. Custom styled uniforms exclusive to DIY DEPOT.
12. Industry leading credit card and bank rates.
13. Dedicated franchise field staff regularly visiting stores.
14. Monthly in-store problem solving sessions.
15. SWAT team at hand (a hand picked group of the industry's finest minds on call in the event of a personal emergency or problematic store).
16. In-house business brokerage - our highly skilled team will endeavour to broker the sale of your existing store to one of our pre-qualified potential franchisees.
17. ZERO COST store conversion - for qualifying franchisees, DIY DEPOT will cover conversion costs from signage to uniforms.
18. Extended terms from all major suppliers for opening stock.
19. Soft financing of all paint tinting and key cutting equipment.
20. Income statement benchmarking in order to assess the health of your business.
21. Unique store concepts to accomodate a wide range of stores of different sizes.
22. National footprint and brand awareness.
23. Approachable and honest management team.
24. Proven track record.
25. Access to funding through various institutions.
26. In-store financing for your customers.
27. Dedicated and highly motivated marketing team.
28. In-house architect to assist with store layout and design.
29. Shop fitting and layout concept designed by renowned retail layout expert.
30. IT and inventory expert on hand.
31. Store conversion testimonies from various existing retailers showing double digit increases in annual sales.
32. After reading all of the above, you know you want to.

For further information please contact us:

Mark Reeves

Cell: 082 778 6064
E-mail: markr@diydepot.co.za

Alan Reeves

Cell: 082 778 6062
E-mail: alanr@diydepot.co.za

Cobus Krüger

Cell: 082 774 4549
E-mail: cobuskr@diydepot.co.za

Tel: (011) 477 2308

Fax: (011) 477 7165

Website: www.diydepot.co.za

0861 DIY DEPOT (349 33768)

We look forward to welcoming you to the
DIY DEPOT family and wish you good luck
with your venture!

(copyright DIY DEPOT)



Building Relationships

Franchising Opportunity

DIY Franchise Information

DIY DEPOT FRANCHISE OPPORTUNITIES

DIY DEPOT is cementing its position as the country's leading franchise in the supply of building materials, hardware, DIY supplies, paint and paint related products, with 60 stores open nationwide.

The strength and success of the **DIY DEPOT GROUP** is due to the solid foundation of experience and proven business systems used by the owners of the group in their stores for over 25 years.

"We replicate all of these proven business systems in our franchise stores". This makes them launch and grow to full potential much quicker. We are fortunate to have a pool of experience amongst the owners which include Accounting, Engineering, Architectural, Marketing, Sales and Franchising skills, all of which our franchises can tap into continuously.

Business Opportunity

DIY DEPOT is a retail franchise in the "building, hardware and paint" sector. **DIY DEPOT** stores sell a wide range of products ranging from building materials, DIY and hardware products, to paint and paint related supplies.

New sites are selected in demographic areas showing strong future growth potential and **OWNER OPERATORS** are a pre-requisite. **DIY DEPOT** will assist in all aspects of the store set up process. "We plan the entire set up process from start to finish, from store layout, signage and shop-fitting to computer systems and training."

Any existing independently operating or Group linked hardware or paint store wanting a dynamic brand change and unique look and feel, need to contact **DIY DEPOT**. We are targeting these types of opportunities throughout South Africa and there are still numerous areas open for this franchise opportunity. SECURE YOUR AREA NOW by calling us TODAY to arrange a meeting.



Investment

The investment cost varies depending on the size of the store. The minimum investment cost for a brand new store of approximately 250sqm is R850 000.00 including the model stock. Conversion costs for existing stores are calculated individually.

Our Vision

To be the best and most progressive DIY Building, Hardware and Paint Franchise in South Africa.

Our Goals

QUALITY AND RELIABILITY

To provide our customers with reliable high quality products.

SERVICE AND VALUE

To provide our customers with overall superior service and good value for money in every product segment in which we operate.

CUSTOMER DRIVEN

To excel in responding to customer needs.

FINANCIALLY STRONG

To deliver strong and consistent financial performance.

GOOD EMPLOYER

To sustain a working environment that attracts, retains and develops committed employees, who share in the success of the **DIY DEPOT FRANCHISE**.

GOOD NEIGHBOUR

To be a good neighbour who is concerned for the community and the environment.

To achieve these goals, we must:

- Project a professional image and deliver friendly, professional service consistently through well-trained and motivated people.
- Search continuously for improvement through innovation and technology.
- Employ planning and decision making processes that provide clear direction and sense of purpose.
- Develop a leadership style throughout the **DIY DEPOT FRANCHISE** that encourages respect for individuals, teamwork, trust and close identification with the customers requirements.
- Strive constantly to achieve agreed standards of quality at competitive cost levels.

DIY Franchise Financial Information

Setup Cost

Description	Amount (\$)
Setup cost of a 200m ² Hardware Store*	
Advertising and Promotions (Pre-opening)	US\$ 3,450.00
Franchise Administration and Initial Payment	US\$ 3,000.00
Shop-fitting and Signage	US\$ 25,476.00
Tinting Equipment-Manual	US\$ 7,550.00
Accessories and Furniture	US\$ 1,575.00
Computer Equipment and Stationery	US\$ 6,325.00
Uniforms and Badges	US\$ 905.00
Stock-Paint, Sundry Items and Hardware	US\$ 45,000.00
Working Capital	US\$ 13,000.00
Total	US\$ 106,281

Net Operating Income

Description	Monthly Amount (\$)	Annual Amount (\$)
Expected Revenue	US\$30,000	US\$360,000
Less: Trade Expenses	US\$19,500	US\$234,000
Less: Operating Expenses ***	US\$6,397	US\$76,764
Less: Marketing and Head Office Expenses	US\$800	US\$9,600
Less: Aurm Management (1% of Revenue)	US\$300	US\$3,600
Net Operating Income	US\$3,803	US\$45,636
Tax @ 28%		US\$12,778
Net Income after Tax (Amount available for dividends)		US\$32,858

Investor Return on Investment for a 50% share (0.5 * Net Income after Tax / Setup Cost)

15.46%

Annual Amount: US\$16,428.96

** Trade Expenses calculated as follows: 65% of Revenue (35% Gross Margin)

Values obtained from the DIY Disclosure Document