

HotSpot Heating Systems, Inc

A Radiant Heat Business Plan

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HotSpot Heating Systems Inc.

Executive Summary3

Company Analysis5

 Name5

 Mission.....5

 Radiant Heat5

 Company History7

 Current Situation.....7

 Company Location and facilities7

 Company Goals7

 Legal Form of Ownership8

 Profile of the Management team.....8

 Insurance.....9

Market Analysis.....10

 Product10

 Price13

 Distribution.....13

 Promotion.....14

 Advertising.....14

 Industry History15

 Industry Trends.....15

 Industry Influential Factors.....15

 Projected Industry Sales16

 Supply16

 Demand17

 Industry Participants17

 Competition17

 Target Market and Customer Base.....18

 Barriers to Entry.....19

 Intellectual Property.....19

 Market Share19

 Growth Opportunities20

 Vendor/Supplier Relationships20

 Exit Strategy20

 Company Revenues (projected).....21

 Material Assumptions.....21

Financial Analysis.....22

 Initial Inventory22

 Start-up Cost Estimates22

 Budgets22

 Income Statement22

 Balance Sheet.....22

 Break-even analysis22

 Financial Needs22

 System Costs22

Executive Summary

Have you ever stepped on a cold tile floor at 7am? Have you ever sat in a cold car, parked in your garage? Do you neglect that favorite hobby because your workspace is cold or uncomfortable? If you have experienced any of these occurrences, you're not alone. Cold tile flooring and cold garages are things of the past, as long as your home is built with radiant heating. Radiant heating is the oldest, 'new' technology being used to heat homes, commercial buildings, and garages, and HotSpot Heating Systems is the company who is making it happen. HotSpot Heating Systems is one entity targeting homebuyers and homebuilders.

HotSpot Heating Systems, founded in 1993, specializes in radiant heating installations targeted towards homebuyers, homebuilders, and automobile enthusiasts. Founder Edgar Pekin, is one of four Radiant Panel Associate members within the metropolitan area, and has over twelve years in heating, ventilation, air conditioning, and radiant heating systems. Mr. Pekin founded HotSpot Heating Systems out of frustration in locating knowledgeable individuals for installing a radiant heating system. Upon discovering radiant heat's many benefits, he decided to venture on his own to assist others in heating their homes with this efficiently advanced method of heating.

HotSpot Heating Systems use a system of tubes, manifolds, and heaters to circulate warm water through concrete slabs or custom designed retro-fit systems. The circulating warm water heats the slab structure and radiates the heat upward from the floor. This mass heating method maintains heat in the floor and eliminates cold floors.

HotSpot Heating Systems has designed four product offerings; HotSpot Now, HotSpot System, HotSpotPanel, and My HotSpot. The HotSpot Now includes tubing and manifolds for installation at a later date. The HotSpot System includes an unassembled system of tubes, manifolds, water heater, and valves, and detailed diagrams for installation. The HotSpotPanel is a professionally designed and assembled system on a metal backing, complete with diagrams, connectors, and service tips. The My HotSpot is specifically designed for each job on an individual basis. Each product is of high quality and includes a one-year guarantee on parts and a 20-year guarantee on the floor tubing.

The radiant heating industry is growing at 25% annually with expected industry sales of \$188MM for the year ending December 31, 2000.

HotSpot Heating System's projected sales are \$33K, \$107K, \$215K, for the years ending December 31, 2000, December 31, 2001, and December 31, 2002, respectively. Although revenues will exceed \$33K for the six months ending December 31, 2000, HotSpot Heating Systems expects a loss from operations of \$8K. The loss is due to start-up costs and slow sales in the first six months ending December 31, 2000. HotSpot Heating Systems will advertise heavily to educate consumers on the benefits of radiant heating, which will increase sales beginning of year two.

HotSpot Heating Systems is seeking start-up funding of \$60K, to cover start-up costs, early loses, and advertising. HotSpot Heating Systems is seeking a line of credit of \$60,000. The money will be used to cover operational expenses, advertising, inventory, and fund working

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Market Analysis

Product

HotSpot Heating Systems will sell and install hydronic radiant panel heating systems.

Radiant heating installation.

1. Slab-on-grade

The most common type of hydronic radiant panel system is installed in a concrete slab-on-grade floor. It's suitable for a wide range of buildings including homes, commercial/retail buildings, service garages, warehouses, churches, and aircraft hangars.

The floor system consists of tubing circuits embedded in the slab when it's poured. Warm water from a variety of heat sources is circulated through the tubing circuits. Heat from the tubing disperses into the concrete and eventually into the rooms above. Insulation under the slab and around its edges, minimizes losses, directing most of the heat upward. Heated slab-on-grade floors typically have the lowest installed cost of any site-built radiant panel system.

2. Plate systems

Many opportunities for installing hydronic radiant floor heating will not allow the added thickness and weight of a slab system. In such cases an aluminum "heat transfer plate" that partially surrounds the tubing can be used to conduct the heat literally away from the tube and spread it across the floor. The high conductivity of aluminum allows even a thin heat transfer plate to adequately spread the heat under the flooring. Such a "plate system" will add very little weight to the floor and it lends itself to both new and retrofit applications.

The plate system can further be categorized into above and below floor systems. In an above-floor installation the subfloor is prepared by installing spaced wooden "sleepers" to create cavities into which the tubing (and a portion of the heat transfer plate) will be installed. The sleepers are typically made of furring-grade wood or plywood, and should be glued and mechanically fastened to the subfloor to prevent squeaks. The width of the sleepers should be adequate to support the full width of the heat transfer plates. In a below floor system the transfer plates are fastened to the underneath side of the sub-floor. Because the heat must travel through the sub-floor, this system is less efficient than above floor.

The final exit strategy is complete closure. If HotSpot Heating Systems does not reach yearly income projections, it will close.

Company Revenues (projected)

HotSpot Heating Systems is planning to sell thirty total hydronic radiant floor systems. This will be a combination of slab-on-grade and sandwich installations, and do-it-yourself delivered packages. Due to the nature of HotSpot Heating Systems' products, the revenues are \$499, \$1,295, and \$1,695 for the HotSpot Now, HotSpot System, and HotSpot Panel, respectively. The average HotSpot Now system will be approximately \$2,500, and will vary per job. HotSpot Heating Systems believes it will take a conservative three months to advertise, promote, and educate homebuilders and homebuyers on the benefits of radiant heating, and penetrate the hot rod enthusiasts. The following is a list of the monthly revenues from calendar year 2000.

		June	July	August	September	October	November	December	Total
Basic	\$ 499	1	2	3	3	2	1	1	13
Value	\$ 1,295	1	1	3	3	1	0	0	9
HotSpot Panel	\$ 1,695	0	1	2	2	1	0	0	6
My HotSpot	\$ 2,500	0	0	1	1	0	0	0	2
Total Revenue		\$ 1,794	\$ 3,988	\$ 11,272	\$ 11,272	\$ 3,988	\$ 499	\$ 499	\$ 33,312

Achieving this level of revenues will be contingent on HotSpot Heating Systems' advertising campaign, promotions, and personal selling. As previously mentioned, HotSpot Heating Systems will target homebuilders through the Metropolitan Builders Association, home buyers through newspaper/Yellowpages advertising, and hot rod enthusiasts through national publications and conferences.

Company revenues are expected to be \$33,312 for calendar year 2000. HotSpot Heating Systems is planning on a slow start due to the up-front education required of radiant heating systems. Once the targeted builders and realtors are educated on radiant heat benefits, HotSpot Heating Systems is confident thirty sales are achievable by December 31, 2000.

Material Assumptions

1. HotSpot Heating Systems is estimating the annual growth of tubing sales at 25%, which was taken from the April 1999, Radiant Panel Association newsletter.
2. Sales will be divided between HotSpot Now (Rough-ins), HotSpot System (Unassembled), and HotSpot Panel (Assembled), and My HotSpot. HotSpot Now will be sold mainly to garage enthusiasts for smaller garages with an average cost of \$499. HotSpot System systems will be sold mainly for two-car garages at an average cost of \$1,295. HotSpot Panel systems will be sold mainly for two-car garages at an average cost of \$1,695. My HotSpot Systems will vary per job averaging \$2,500.
3. Sales will be divided proportionally between HotSpot Now, HotSpot System, HotSpot Panel, and My HotSpot using the following percentages, 30%, 45%, 20%, 5%, respectively.

Financial Analysis

Initial Inventory

Appendix A-1: Tool Inventory

Appendix A-2: Parts Inventory

Appendix A-3: Office Inventory

Start-up Cost Estimates

Appendix B

Budgets

Appendix C

Income Statement

Appendix D-00: Year ending December 31, 2000

Appendix D-01: Year ending December 31, 2001

Appendix D-02: Year ending December 31, 2002

Balance Sheet

Appendix E: Start-Up

Appendix E-00: December 31, 2000

Appendix E-01: December 31, 2001

Appendix E-02: December 31, 2002

Break-even analysis

Appendix F

Financial Needs

Appendix G

System Costs

Appendix H

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The Business Plan Generator

SmallBusinessPoint.com was created as a result of introspective realization of skills, experiences, and dreams. These three collective entities, combined with a heavy dose of entrepreneurship, are the motivation behind 'The Business Plan Generator'. Many people dream of owning their own business or doing what they want to do. However, few people follow their dreams to success. Whatever the reason, adequate direction should not be one. The purpose of 'The Business Plan Generator' is to give you the direction needed to identify your skills, exercises to generate ideas, resources to evaluate the venture, questions to ask in the business plan, and key indicators to measure implementation.

The SmallBusinessPoint.com concept was not born in a day, but over time. Today, the concept continues to evolve as we incorporate more of our skills and bring in new ideas daily. We at SmallBusinessPoint.com, currently combine the experiences, knowledge and education of: engineering, marketing, finance, banking, supply chain management, venture capital, MBA, business ownership, professor of entrepreneurship, logistics, writer, and publisher (just to name a few), and a healthy dose of enthusiasm. This enthusiasm is the product of setting our dreams in motion and helping others find the road to their dreams.

SmallBusinessPoint.com appreciates the opportunity to help you, and wishes you the best of success.

We believe in your dreams!