



Macpoc

Quarterly Financial Report

DIS IS A DRAFT

not final!

First Financial Quarter 2020

Introduction

3 months of extensive profit despite considerable investment in future opportunities. This is what we have delivered and will continue to deliver through our modern, connected way of thinking and our sustainable, yet aggressive business strategy.

Some performance highlights from the first three months:

150% Growth in Net Profit from January

25% Increase in Staffing since startup

0 Market Competition

Over \$550,000 in Gross Profit

Over 50% Net Profit

Highest Profit in Market

Nearly \$1,000,000 in revenue

All Staff on Living Wage or higher

No Liabilities

Nearly \$500,000 in Liquid Assets

"It's been good"-
Alex Brandon,
CEO Macpac

CEO's message

At Macpoc¹, we don't believe that our sustainable and community-oriented culture is mutually exclusive with good results. Instead, we believe the fact that all our staff are on the living wage or higher and that our products are marketed in a sustainable way is the reason that Q1 of 2020 has been such a good one.

As of April 2020, we are leading the clothing and outdoor equipment market by a considerable margin, selling outdoor clothing. **The future looks bright**; plans are in place to further jumpstart growth by adding another shop to target market gaps, and already due to high positive cashflow our debts have been eliminated.

In this report, we will take you through what, why, and how our sustainable culture and work-ethic and the cornucopia of benefits that it has and will continue to bring to our business. Enjoy the report and don't forget: Macpoc is the opportunity of a lifetime.

Barnaby Stevens, CEO

¹ No relation to the more widely known Macpac outdoor brand despite similarities in both naming and market.

Non-financial information

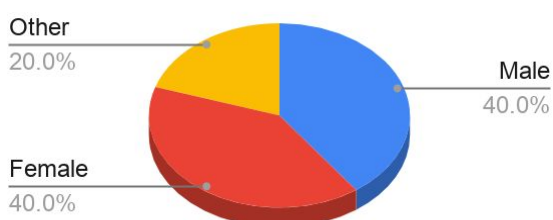
Our Team

Here at Macpoc, everything starts with our team. Having a happy, healthy, capable and passionate team is one of the cornerstones to our success and an essential part of providing high quality products and services to our valued customers.

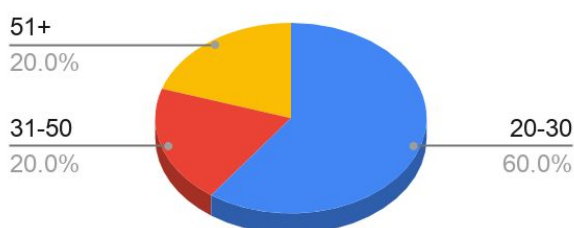
We regularly measure how engaged our team members are and what drives them to do such high quality work, in order to provide a more supportive working environment. Next quarter we will begin to execute our team member engagement action plan which has been developed with the data from our engagement surveys this quarter. All data is from weekly independent audits that we as a company fund. "We accept bribes" - *Independent Auditor*

Creating and maintaining a diverse range of people in our team has always been one of our top priorities, in order to create an inclusive work culture. We currently employ 5 staff from a wide range of genders and ages, in keeping with our inclusive culture.

Employee genders



Employee ages



Caring for our environment

The great outdoors is where our team members and employees spend their leisure time, and it is also where our products are designed to be used. As a result, the future of our business is tightly linked with the health of our great backyard.

In order to manage the effect of our operations on the natural environment, we are committed to minimising our environmental impact wherever possible with a special focus on energy usage, packaging and materials used in the manufacturing of our products. We have recently had our suppliers audited for safe working environments and sustainable production methods in order to maintain our high ethics and quality standards.

Market Analysis

Quarter one of 2020 saw Macpoc rise to dominate the outdoor clothing markets. We sold over 10,000 units of product across the mens, womens, and kids outdoor clothing markets, bringing in \$986,249 in revenue. We had no competitors in any of our markets throughout the first quarter, leaving our sales bound primarily by the size of the markets themselves, and our total capacity to sell products. This market analysis will go through a month by month breakdown of sales before conducting an overall discussion of market performance for the first quarter.

January:

Our initial market data suggested the respective market sizes (in units of product) were 1400 for mens outdoor clothing, 1200 for women's outdoor clothing, and 1200 for kids outdoor clothing. With our startup capital we were able to purchase 800, 700, and 800 units of clothing for each respective market, all of which we sold out of by the end of January, drawing \$209,000 in revenue.

Table of market and sales for january:

Product:	Demand:	Sold:	Remaining:	Revenue:	Market share:
Mens Outdoor	1390	800	0	\$88,000	1532
Womens Outdoor	1249	700	0	\$77,000	1377
Kids Outdoor	1202	800	0	\$44,000	1325

As can be seen on the table, the demand for mens outdoors clothing took a small dip below the expected market size, while the demand for womens jumped by about 4.1%. These slight discrepancies can likely be attributed to natural fluctuations in demand, as well as the efforts of our marketing team, who ran newspaper ads throughout the month. Our goal for February was to increase our stock to match our market share, or our stores capacity.

February:

Off the back of a successful first month of operations, we were able to order far more product moving into February, to a total of 4000 units, the maximum capacity of our store. We stocked according to our market share, and, in an effort to maximise revenue, stocked more in the mens and womens outdoor market which sell for a higher price per unit. We stocked 1500 units of mens outdoor clothing, 1350 of

womens outdoor, and 1150 of kids outdoor. Similarly to January, we sold out, generating \$376,750 in revenue.

Table of market and sales for February:

Product:	Demand:	Sales:	Remaining:	Revenue:	Market share:
Mens Outdoor	1390	1500	0	\$165,000	1532
Womens Outdoor	1249	1350	0	\$148,500	1377
Kids Outdoor	1202	1150	0	\$63,250	1325

February saw a huge leap in sales as a function of our increased stock, which was within the bounds of our market share, allowing us to sell out. There was no change in the market demand or our market share from January to February. Based on these great results, we decided not to change our stocking going into March.

March:

Our unit sales of product took a small hit in March; however, our revenue was stronger than ever. Given our success in selling out of all our stock in February, and our stores maximum capacity of 4000 units of product, we purchased 1500, 1350, and 1150 units in each market respectively. We raised our prices across the board to 115% of the recommended retail price (RRP) for the month of March. This is likely why we saw a 9% drop in sales for mens outdoor clothing, and a 9.19% drop in sales for women's outdoor clothing. At this increased price our sales brought in \$400,499 in revenue.

Table of market and sales for March:

Product:	Demand:	Sales:	Remaining:	Revenue:	Market share:
Mens Outdoor	1390	1365	125	\$172,672.5	1365
Womens Outdoor	1249	1226	124	\$155,089	1226
Kids Outdoor	1202	1150	0	\$72,737.5	1179

The dip in our market share is disappointing, however, March was still a great success.

As has been outlined earlier, our success in the outdoor clothing markets in the first quarter can be attributed to our lack of competition, as well as the diligent work of our marketing and sales staff. In future we will look to more aggressive marketing, and perhaps a slight change to our monthly stock to match our market share in kids outdoors, to ensure we sell as much stock as possible, and generate maximum revenue.

Market Trends

The first quarter saw a significant upward trend in our sales across all markets:

Product:	Sales in January:	Sales in February:	Sales in March:	Percent change (January to March):
Mens Outdoor	800	1500	1365	70.63%
Womens Outdoor	700	1350	1226	75.14%
Kids Outdoor	800	1150	1150	43.75%

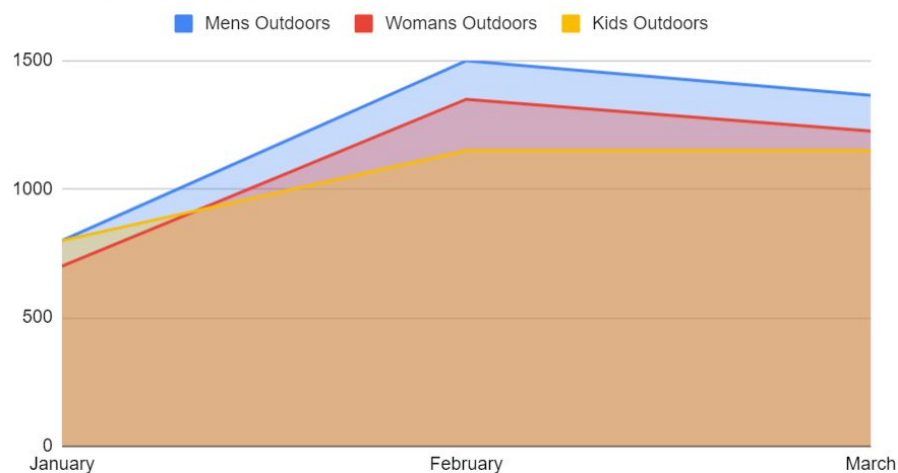
This increasing trend in sales is a great achievement for the company, suggesting our revenues and profit will continue to grow, as they are proportional to our products sold. This trend is a result of increased stock amounts in our store. With our aggressive marketing strategy, and without any competition, we easily sold more stock, as long as we stayed within the bounds of our market share.

An increase in prices at the end of the first quarter caused our market shares to shrink slightly. Although this was disheartening, the increased prices generated more revenue despite the decreased sales. The increase in our prices also had no impact on our expenses or COGS, resulting in it being an increase to our markup and net profit percentages. It is clearly not beneficial to reverse this increase in price, regardless of its effect on sales.

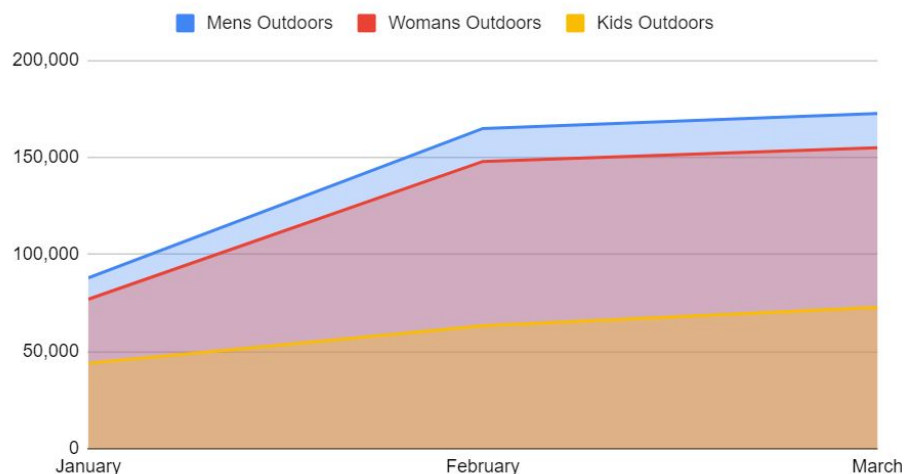
Moving into the second quarter it will be difficult to increase our sales within these markets, and at our current location. Given we have no competition, our sales are bound by the size of the market we sell in, a bound we do appear to have reached. A small change to our stocking could net a small increase in our sales in the kids outdoor market to match our market share, without affecting our sales in other markets (for which we now have a slight stock surplus).

While this may seem like a negative thing, we here at Macpoc simply take it as a sign that it is time for us to expand our horizons. To move forward we must grow, with new stores and new markets. We can now apply our large amount of liquid assets to greater projects, working with the local community to build a better future. There will be more on these plans for the future in the next steps section of this report.

Monthly sales by product



Monthly revenue by product



These graphs show a comparison of our sales and revenue by product type over the first quarter, and emphasize a few key points about our performance:

- Our total monthly sales rose over 60% from January to March.
- Our total monthly revenue rose by over 90% from January to March
- Kids outdoors generates just half the revenue of our other two product types per unit sold.

These graphs also show the correlation between our sales and revenue, while showing the effects of other factors such as our pricing, which is the cause of our increased revenue from February to March, despite decreased sales.

Profitability

In the three months that Macpoc has been operational, we have seen high profit percentages throughout. We also saw a considerable growth trend through the months of January to March as a result of increasing our prices accordingly with our market position.

January

In our first month of operation, we walked away with a revenue of \$209,000, and a net profit of more than \$81,000, a profit percentage of almost 39% in our first month. This means that for every \$1 of clothing we sold in January, we walked away with 39 cents. When we first saw these figures, it gave us incredible confidence, because since our profit margin is so high we know that the business in its current state is healthy and won't need more investment capital to stay afloat.

A breakdown of figures for January - why and how

At Macpoc, we value transparency and to encourage trust from the community we are making all our profits and transactions public so that you can have confidence that we are getting our meat and two veg in a way that won't wreck your holiday destination.

Mark-ups

At Macpoc in January we had a fixed mark-up of 120% over our cost of goods sold. This means for every merino t-shirt and polyprop sock we buy for \$50, we sell for \$110, which is 120% higher than \$50.

Sales Revenue

In January, our sales revenue stood at \$209,000.

Cost of Goods Sold

The cost of goods sold (COGS) is at a fixed rate of \$50 for every adult's item and \$25 for every kids item, adding up to \$95,000 for our COGS.

Gross Profit

Subtracting our cost of goods sold (how much we bought the products for) from our sales revenue (how much we sold them for) gives us our gross profit of \$114,000.

Bank Interest

In January our interest from our bank balance was \$347.50

Expenses

We paid our employees, landlord, accounting consultants, advertising companies, market researchers, hitmen, debt collectors and our loan interest at a total cost of \$33,193.

Net Profit

To find the net profit we subtracted our expenses from our Gross Profit and bank interest leaving us with our net profit of \$81,000.

Profit percentage

To find the profit percentage, we simply divide our net profit by our revenue; $\$81,000/\$209,000 = 0.39$, or 39%.

February

Our second month of operation saw considerably higher revenue and profit due to an increase in stock orders, with sales revenue of \$376,750 for the month, an increase of 80% over January. But it doesn't stop there; our net profit stood at \$172,800 for the month, 113% higher than January. Overall, our profit margin stood at 45%, 15% more than January. From these numbers you can already see that our aggressive yet sustainable business approach has created high returns. This profit meant that no matter what fate threw at us in future months, we would have enough capital to weather it.

A breakdown of figures for February - why and how

Mark-up

Once again in February our mark-up was fixed at 120%. See above for explanation.

Sales Revenue

In February Macpoc made an astounding \$376,750 of sales revenue.

Cost of Goods Sold

Thanks to cordial relations with our product suppliers, our Cost of Goods Sold remained at \$50 for every adult clothing item and \$25 for every kid's item, adding up to \$171,000. The reason this was higher than the previous month is because of expansion to fill the market - in essence there was so much demand for stock that we had to increase supply to fill the gap in the market.

Gross Profit

Gross profit stood at \$205,750, nearly as much as *revenue* from the previous month. See above for an explanation for how this figure was reached.

Bank Interest

In February our bank interest added to \$550.

Expenses

Once again we paid all of our overheads with a smile and a wave. These amounted to \$33,193, the same as the month before.

Net profit and profit percentage

Our net profit for month two was calculated by subtracting our expenses (\$33,193) from our gross profit (\$205,750) and bank interest leaving us with \$172,800. The profit percentage was calculated by dividing our net profit by our revenue ($\$172,800/\$376,750$) to give us our 45% profit margin.

March

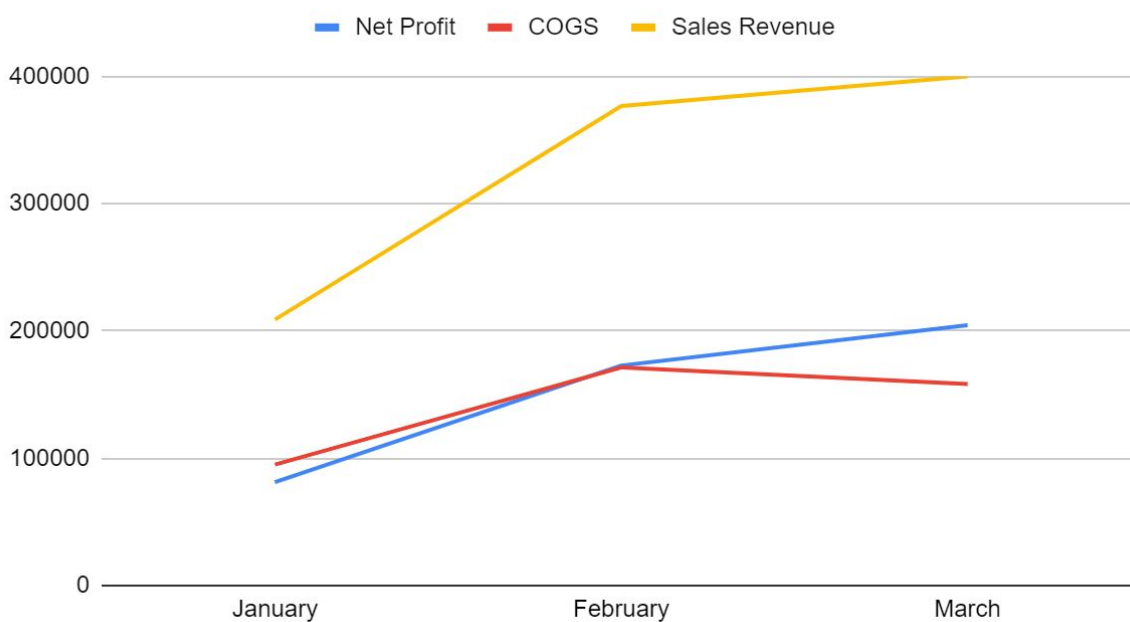
Our third and final month of operation in the first quarter saw another increase in our revenues, profit, and net profit percentage, along with a reduction of Cost of Goods

Sold, due to an increase in our pricing to 115% of what it was previously². Because of these changes, Macpoc made \$400,499 in revenue - an increase of 6% - without cutting expenses. Our net profit stood at \$204,505.69 for the month, 18.35% greater than that of February, and 151% greater than our profit in January. Macpoc's net profit percent increased yet again to 51%, 11% more than January and 6% more than February. As these numbers clearly show, Macpoc's performance continues to grow at a prodigious rate and will continue to do so for some time.

A breakdown of figures for March - Why and How

Profitability Trends

Net Profit, COGS and Sales Revenue



What is the net profit and net profit% for each month?

- Explain what these figures mean
- Why are the figures as they are? Consider gross profit / mark-up%, other income and expenses.

Next Steps:

Here at Macpoc we believe that we must grow and evolve constantly to better serve the community and our shareholders. In this section of our report we will outline our

² We strongly refute the insinuation that Macpoc put up prices to increase revenue and capitalise on its monopoly - this is not the case. Macpoc simply believed that the price increase was necessary to allow us to hire another staff member and support them and their family.

plans to evolve going into the second quarter of 2020. This will be broken into a few sections:

1. The future of our current location(s).
2. Plans for expansion, new products, locations, etc.
3. Speculative projects.
4. Our future with the community.

The future of our current location: