

Exclusively Prepared For

Testing

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Confidential

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Category	Needs Improvement	Excellent	Percent
● Overall	<div></div>		30%
● Industry / Market	<div></div>		33%
● Addressable Market	<div></div>		20%
● Organic Growth	<div></div>		40%
● Seasonality	<div></div>		40%
● Financial	<div></div>		40%
● Total Investment	<div></div>		40%
● Fixed Asset Investment	<div></div>		40%

KEY PRINCIPLE

What is the size of that portion of the market that is likely to have an interest in the offering?

DEFINITION

The "addressable market" is size of the market that is likely to have an interest in what you have to offer. It is that portion of the market that you are ready, willing, and able to serve.

WHY THIS MATTERS

The larger your potential market, the better the opportunity. The larger the market, the easier it will be for you to enter the market and carve out a sufficient amount of business in order to have a viable opportunity. A very small addressable market can be very problematic. For example, if the addressable market calculations indicate \$5m and taking a reasonable assumption that it is unlikely to enter a market and capture more than 10% market share, then the total potential Revenue for the opportunity is only \$500k (\$5m x 10% market share = \$500k). Further, since a reasonable average Earnings for any opportunity is 10% of Revenue, that means the \$5m addressable market would only produce a maximum Earnings of only \$50k (\$5m x 10% market share = Revenue of \$500k x Earnings of 10% = \$50k). Obviously that would not be a very exciting opportunity to pursue.

ANSWER



Very small addressable market size (<\$5 million)



Small addressable market size (\$5 million - \$25 million)



Medium addressable market size (\$25 million - \$100 million)



Large addressable market size (\$100 million - \$1 billion)



Very large addressable market size (>\$1 billion)

HOW YOU ANSWERED

Score By Category	Needs Improvement	Excellent	Percent
Opportunity			36%
Industry / Market			33%
Addressable Market			20%

KEY PRINCIPLE

What is the rate of annual growth of the addressable market?

DEFINITION


The rate of annual growth of the addressable market. (There are other methods of growing an opportunity, such as market share growth and acquisition growth, but for purposes of analyzing the market in this principle, the "organic" growth is of the industry / market itself rather than different methods of growth compared to competitors.)


WHY THIS MATTERS


The higher your organic growth, the better the opportunity. The faster the market grows, the easier it will be for you to grow your business as a rising tide lifts all boats.


A slow growth, no growth, or declining market means the industry and market competitors not only find it impossible to grow -- except at each other's expense -- but the context will usually drive several other negative consequences such as price, gross margin, competitive intensity, etc.


ANSWER

 Very low annual organic growth (<0%)

 Low annual organic growth (0 – 5%)

 Moderate annual organic growth (5 – 10%)

 High annual organic growth (10 – 25%)

 Very high annual organic growth (>25%)

HOW YOU ANSWERED

Score By Category	Needs Improvement	Excellent	Percent
Opportunity			36%
Industry / Market			33%
Organic Growth			40%

KEY PRINCIPLE

To what extent does the ability to produce or sell the offering depend on the time of year?

DEFINITION

The extent to which the ability to produce a product or service or the ability to sell a product or service depends on the time of year or season.

WHY THIS MATTERS

The less the seasonality, the better the opportunity. The less the seasonality, the more the potential for consistently higher asset utilization (for asset-intensive opportunities) and consistent Revenue and Earnings throughout the year (for any type of opportunity).

ANSWER

Very high seasonality (ability to produce or market demand limited to < 3 months per year)



High seasonality (ability to produce or market demand limited to 3 – 6 months per year)



Moderate seasonality (ability to produce or market demand for 6 – 9 months per year)



Low seasonality (ability to produce or market demand for 9 – 12 months per year)



Very low or no seasonality (ability to produce or market demand for 12 months per year)

HOW YOU ANSWERED

Score By Category	Needs Improvement	Excellent	Percent
Opportunity	<div></div>	<div></div>	36%
Industry / Market	<div></div>	<div></div>	33%
Seasonality	<div></div>	<div></div>	40%

KEY PRINCIPLE

What portion of the total investment will be invested in fixed assets?

DEFINITION

The total size of the investment required to assemble the fixed assets needed to operate the business relative to the total investment required to execute on the opportunity.

WHY THIS MATTERS

The smaller the fixed asset investment required, the better the opportunity. The smaller the fixed asset investment required, the less risk of not being able to repurpose your investment or change direction with your business opportunity, since fixed assets can be difficult to use for other purposes and rarely retain a high resale value.

ANSWER

Very large fixed asset investment required (>60% of the total investment amount)



Large fixed asset investment required (40 - 60% of the total investment amount)



Moderate fixed asset investment required (20 - 40% of the total investment amount)



Small fixed asset investment required (10 - 20% of the total investment amount)



Very small fixed asset investment required (<10% of the total investment amount)

HOW YOU ANSWERED

Score By Category	Needs Improvement	Excellent	Percent
Opportunity			36%
Financial			40%
Fixed Asset Investment			40%

KEY PRINCIPLE

What is the total investment required to fully fund the opportunity?

DEFINITION

The total size of the investment or capital required to buy or build the company, fully develop the opportunity, launch the new product, or fully fund the business plan.

WHY THIS MATTERS

The smaller the total investment amount required, the better the opportunity. The smaller the total investment amount required, the more likely the opportunity will get funded (either by your personal resources, company resource, or other investors), the more likely the entrepreneur will retain control and the less the risk for the entrepreneur and investors.

ANSWER



Very large total investment amount required ($>5.00x$ the available liquid capital from the company or entrepreneur or $>2.00x$ the average investment size)



Large total investment amount required ($1.00x$ to $5.00x$ the available liquid capital from the company or entrepreneur or $1.00x$ to $2.00x$ the average investment size)



Moderate total investment amount required ($0.50x$ to $1.00x$ the available liquid capital from the company or entrepreneur or average investment size)



Small total investment amount required ($0.25x$ to $0.50x$ the available liquid capital from the company or entrepreneur or average investment size)



Very small total investment amount required ($<0.25x$ the available liquid capital from the company or entrepreneur or average investment size)

HOW YOU ANSWERED

Score By Category	Needs Improvement	Excellent	Percent
Opportunity			36%
Financial			40%
Total Investment			40%

