

X Golf MIDDLETON Business Plan



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I) Operating Assumptions, Income Statement, and Cash Flow Pro Forma

1) Business Concept

Our intent is to open an X Golf franchise location in MIDDLETON, Wi. X Golf has developed a high-end golf simulator to be used as the backbone of a fun and entertaining indoor golf and bar concept in a retail service type of environment. Indoor golf simulator businesses are a trend on the rise because of its broad appeal to serious and novice golfers as well as beginners looking for entertainment or to try something new. Indoor golf simulators are flexible, allowing customers to play on their schedule because the simulators can be operated day or night and at any time of year being they are immune to weather and not dependent on daylight. This business plan will detail how this concept can be a fun and financially rewarding business.

2) Franchisee Information

Seth Klug, 50%

- BS – Management Information Systems
- 17 years of IT Management experience across major global organizations. 23 years of golf fanaticism.
- Proficient customer relationship and sales experience. IT expert both PC and software. Low single handicap golfer.
- Majority of operations and business management partner. Ideally Full-time but revenue will determine possibility. Will begin continuing day job for main source of income, ensuring business cost model is successful.

Aaron Klug, 50%

- BS – Reclamation
- 22 years of project/portfolio management across private and public sectors.
- Proficient in data analysis, marketing, and event planning. Customer relationship and sales experience. Mid-handicap golfer.

- Operations, strategy, logistics, marketing, and event planning. Will continue day job for main source of income, while ensuring business cost model is successful.

3) Franchisor Information

X Golf began developing simulators in Korea in 2005. The indoor golf market in Korea was such a success, they have branched out globally into Japan, Australia, Canada, and the United States. The U.S. headquarters is in Los Angeles and since they began franchising in the U.S. in 2016, have successfully opened 22 franchises across the country. Current locations include Alabama, Colorado, Louisiana, four in Michigan, two in Texas, one in Brookfield, Wisconsin and another in Mequon on the way. X Golf America is excited about the opportunity to open a franchise in the Madison area.

Scott Hart, PGA Pro and Owner of several X Golf Simulators in Scottsdale at his facility said, "The Golf Simulators from X Golf are the most technologically advanced in the world". We have performed extensive research on golf simulators, and agree with Scott Hart's statement and agree X Golf has developed the best and most fun simulator on the market. There are over 100 courses to choose from including some of the finest courses in the world which most golfers would not get to play in person. The simulators are linked up to a global network where customers can compete in games and leagues with other X Golf users all over the world, a similar business model used in the smashing success of the PlayStation, Xbox, and Golden Tee video game networks.

X Golf provides their franchisees with a great deal of business and technical support. Their industry experience and business model is passed down to their franchisees to ensure success. X Golf provides on-site training on operating the business as well as the technical aspects of operating the simulators. X Golf will help leverage a network of PGA professionals in the area who are interested in using the Franchisee's facility for golf lessons. They provide software updates to the simulators so the franchisee stays on the cutting edge of the golf simulator

business. X Golf also has a plan to launch a national advertising campaign as soon as there are enough franchisees to justify the expense. In the interim, they can make recommendations on local advertising avenues.

X Golf guarantees its franchisees a territory in which to operate. Our location will be guaranteed not to be impacted by another X Golf franchisee within an 8 mile radius of each owned store. Franchisees are also guaranteed to have the right of first refusal to any other franchisee looking to build an X Golf facility within a 40 mile radius. This is an ideal partnership which allows for future growth after showing success this location.

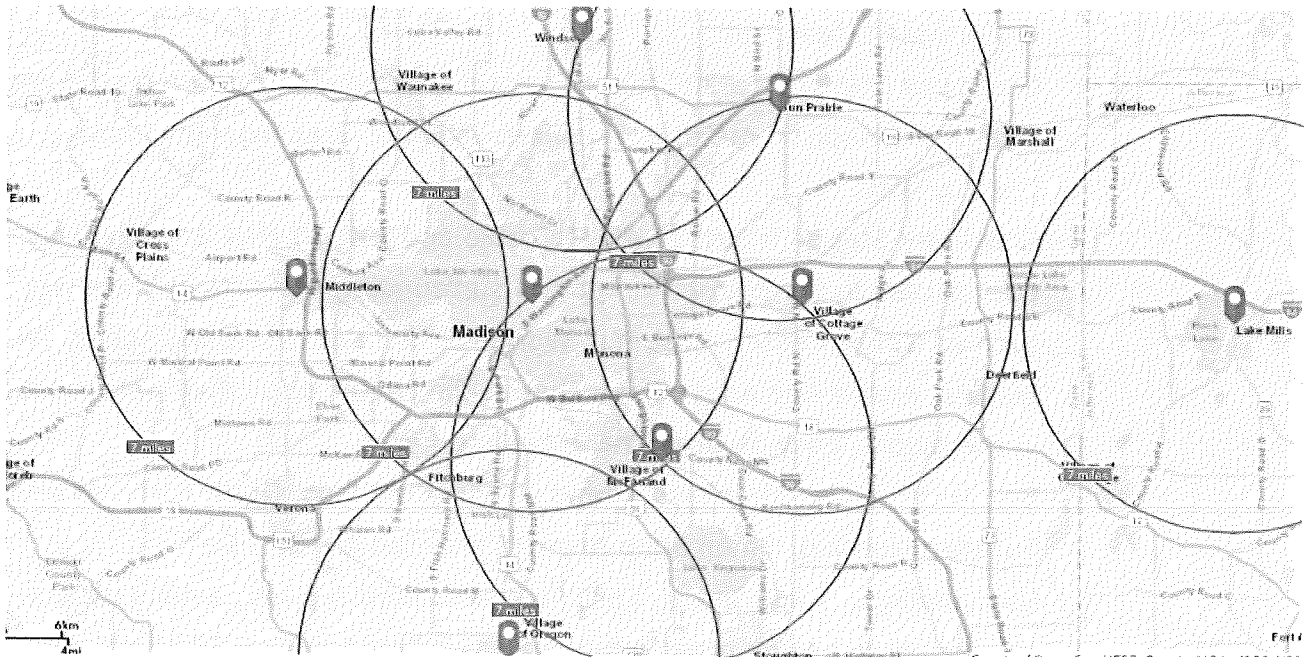
4) Location

- The leased space is within the Greenway Station complex with a size of 6,033 square feet.
- Greenway Station is a 300,000 SF center located in Middleton on the west side of the Madison metro at the intersection of Greenway Blvd and Deming Way.
- Greenway Station is just south of Costco and just off Hwy 14 providing easy access to the entire market and surrounding cities. Other retailers such as Guitar Center, Cost Plus World Market, Soft Surroundings, J. Jill, Biaggis, Ancho And Agave have chosen the center to be their only location in the metro. They do draw the entire market.
- Box Anchors are: Marshalls, Home Goods, Cost Plus, DSW, Michaels and Tuesday Morning. Small Shop Anchors are: Jos A Bank, Soft Surroundings, J Jill, Chicos, Loft, Maurices, Bath & Body, among others. In addition to having great retail, we have over 4 million SF of office within 1 mile of the site and 2,000 hotel room within 3 miles (of which over 700 hotel rooms are within 1/2 mile of the site). Within 4 miles of West Towne Mall
- Within a 7 mile radius around the City of Middleton, there are 201,000 residents with a median household income of \$76,000. These metrics

compare favorably with the markets of other successful X-Golf franchise locations across the country.

- 28 Golf courses within a 25 mile radius of this location.
 - Source: <https://www.travelwisconsin.com>
- Regional demographics analysis:

<u>Market.</u>	<u>7 Mile Population</u>	<u>7 Mile Median Household Income</u>
Middleton	201,000	\$76k
Downtown	290,000	\$61k
Windsor	102,000	\$77k
MacFarland	166,000	\$59k
Cottage Grove	99,000	\$76k
Sun Prairie	Too Small	
Oregon	Too Small	
Lake Mills	Too Small	



- X Golf will have direct competition with GolfTec in Middleton and 7 Iron Social in Madison. GolfTec is a membership-based teaching facility that offers inferior technology and no social setting. Leagues and tournaments are not currently something that GolfTec offers. We believe the X Golf technology and environment will draw away customers from GolfTec, leading to little

impact on our business. 7 Iron Social is located on State Street, approximately 8 miles east of X Golf Middleton. The simulators at 7 Iron Social are designed to accommodate multiple sports, sacrificing golf shot accuracy for flexibility. 7 Iron Social lacks teaching and club fitting facilities and leagues are not currently offered. The lack of parking on State Street only affords localized "walk up" business. X Golf will be able to draw and accommodate customers from a large radius around Middleton and the greater Madison area.

- X Golf will compete indirectly with traditional golf courses. It is expected the simulator utilization in the summer months to be lower during the day but the facility will continue to generate income from lessons and customers using the simulator's swing analysis features. The biggest competitive advantage to traditional golf courses is the facility is indoors - allowing customers to play year round and in any weather. Traditional golf is only played about five months out of the year by casual golfers and seven months out of the year by serious golfers in Wisconsin. Not only does Wisconsin have a long and cold winter, it often has unpredictable weather conditions throughout the year caused by the surrounding Great Lakes. The X Golf simulators will continue to see high utilization rates in the evenings and all day during the colder months as customers visit the facility for a type of entertainment not enjoyed at traditional golf course...especially after the sun goes down.
- Lastly, there are expectations for minor competition from traditional golf driving ranges. Golfers go to driving ranges to practice various aspects of their game but their only feedback on how they are doing is to judge the final result of their shot (which may be 200+ yards away). X Golf's competitive advantage is the simulators' swing analyzer which utilizes 300 laser sensors to provide instant feedback on each shot and stroke such as exact distance, trajectory, and angle in which the ball traveled as well as back spin, side spin, club impact and more. All of these data points are useful in helping a golfer practice and are not found at a traditional driving range. Again, there is the competitive advantage of being indoors so practice can be had day or

night, rain or shine, and summer through winter as traditional driving ranges, with very few exceptions, are not open in inclement weather or winter months.

5) Target Customers/Sales Plan

The X Golf business model has a very broad appeal to many groups of people. Serious and amateur golfers will want to visit the facility frequently.⁶ However, research has found that X Golf's business also appeals to high school golf teams, corporate events and large parties looking to rent the entire facility, beginner golfers looking to try something new, and people looking for a fun activity where alcoholic beverages are available for purchase.

The serious golfer is X Golf's highly targeted customer. The serious golfer is looking to extend their season during the long and sometimes harsh winter when traditional golf cannot be played, by using X Golf simulators on demand or joining an X Golf League. The serious golfer is also interested in using the simulator's swing analyzer to self-assess and correct various parts of their game or is interested in taking lessons from a PGA professional on the contracted staff. We expect a lot of repeat business and sales to serious golfers.

Golfers with less ability or interest in a traditional golf game (novice golfers) but looking to be in an active and fun environment will also be a highly target customer. The novice golfer is a much broader category because many groups of people fall into the category. Beginners looking to learn the game will want to take lessons or practice on a simulator that is much less intimidating than a traditional course or practice range. The novice golfer could also be a couple looking to have a "date night" or a group of friends looking to find a fun activity where alcoholic beverages are available. Novice golfers may also be interested in an X Golf league set-up with more emphasis on fun and less emphasis on competition (similar to what glow bowling or disco bowling is to that industry). We expect to generate a large portion of our revenue from novice golfers.

X Golf has found the indoor golf simulator business to be such a fun activity, it appeals to groups of people looking to rent the entire facility. This includes large family gatherings, adult birthday parties, etc. It also includes corporate parties where a local business may want to rent our facility for their employees to celebrate an achievement, special occasion, or host a team building event. They plan to make their customers and local business aware of the ability to rent out the entire facility for their needs.

Research has also shown many local high schools are willing to rent out a golf simulator facility for their boys' and girls' golf teams to practice. A facility like X Golf can be used to give high school teams a head start on the season. High school coaches will appreciate the instant feedback on the swing analyzer mode of the simulators. Targeting the many local high schools in our area is important because the high school teams rent the simulators after school during off-peak hours when simulator utilization and sales would otherwise be low. When renting during off-peak times, discounts are often offered to make it more affordable for the high school thereby creating a mutually beneficial relationship between X Golf and local high schools.

While the X Golf simulators are fantastic and fun, sales are not solely derived from their rental. We will be applying for and obtaining a Class A Liquor License from the City of Middleton, WI to be able to offer beer, wine, and liquor by the glass for consumption within the facility to those of legal drinking age (21+ years old). Offering alcoholic beverages adds a large stream of revenue because of its appeal to so many of our targeted customers. We also plan on seeing a steady stream of revenue from non-alcoholic beverages and pre-packaged foods and snacks.

6) Marketing Plan

X Golf's ability to appeal to many different types of target markets is one of the largest draws to entrepreneurs looking to invest in the franchise. The ages 21-65 sports enthusiast is the largest target market X Golf will look to attract. This will be done through radio advertisements on local sports radio stations as well as

remote appearances by radio and TV personalities. X Golf will also look to take advantage of local high school and college sports sponsorships to broaden its awareness and community outreach. This target market, as well as the novice golfer, gamer enthusiast, women's beginner golfer and high school/college golf teams will be targeted via a number of different marketing campaigns like email databases/ mailing lists, targeted Facebook advertising, search engine marketing and print & radio advertisements.

The marketing message across all of these advertisements will differ depending on medium and the directed target – touting the cutting edge technology, the ability to play day or night/365 days a year, the fun and social environment – all of these great draws to X Golf will increase awareness and excitement for the product they can only experience at this facility!

X Golf yearly marketing budget will operate at 2%-3% of Sales a year and should be sufficient based on both Facebook, local radio and TV buying efficiencies. There are also strong opportunities to interact with the local high school and college sports teams at strategic levels – increasing awareness and interaction with the community while also methodically sticking to predetermined marketing and advertising budget levels.

7) Business Case/Investment

A financial pro-forma has been developed and attached in the appendix. The pro-forma includes operating assumptions, projected income statement, and projected cash flow statement. The operating assumptions were developed through a number of means. First, a pro-forma was obtained from X Golf USA which was based, in part, on averages of the current franchisees in the United States. The assumptions were then updated to include any quotations that could be obtained such as, simulator price, rent for building, and construction costs of building. The remainder of the assumptions were entered using the best available data and estimates were made using a conservative approach.

The total investment needed to open X Golf MIDDLETON is \$768,762. This includes the cost of the simulators, franchise fee, construction costs of the leased space, all permits and licenses, hardware, and miscellaneous items. Of this cost, the franchisees are able to fund \$30,000 of the initial costs and \$180,000 in tenant improvement, so we are seeking a small business loan in the amount of \$557,772 to be paid back over a ten year period. Franchisees are confident in being able to secure additional cash, to make up a difference in borrower contribution, if needed.

As the income statement shows, X Golf MIDDLETON will be profitable very quickly. The profitability shown on the pro-forma is reasonably conservative taking into account a cautious approach to building and growing the business. We fully expect to not only meet but rather exceed these projections.

The cash flow statement shows our ability to pay back the lender of the business loan. As the statement shows, the borrowers have the full ability to pay back the lender starting in the first year and continuing through until the loan is paid back in full at the end of year nine. For purposes of calculating Internal Rate of Return (IRR), Net Present Value (NPV), and Payback, a subsequent cash flow was created below the projected cash flow. This cash flow is for analytical purposes only to measure the strength of the investment if no loan was required and the franchisees were bearing all of the initial costs themselves. As the analysis shows, the IRR is a very healthy at 55.5% the NPV, using an 18% discount rate, is very positive at \$727,657 and the initial investment would be paid back in 2.4 years (undiscounted). All of these factors indicate this business will be healthy and is a wise investment.

8) Conclusion

Seth Klug and Aaron Klug have the skills, education, experience, and passion to turn the X Golf business from an idea into a fun and profitable franchise. We are confident in our ability to become a success story. Our highly detailed business plan should make any potential lender feel confident in partnering with us.



DRINKS, ETC.

X
GOLF
MADISON | MIDDLETON



SPECIALTY DRINKS - \$11

★ ★ ★ ★ ★

BARSTOOL TRANSFUSION

Vodka paired with Owen's Barstool Transfusion Mix, with real Concord grape juice and ginger ale. Potent enough to numb the pain of a double bogey.

JOHN DALY

Think Arnold Palmer, but a little rough around the edges. Vodka, lemonade, and iced tea.

BLOODY MARY

Shake those cobwebs loose and rip that driver. We've got you covered. Loaded with garnishes and our secret weapon on the rim of the glass.

HOT TODDY

Enjoy the warmth of this cocktail consisting of bourbon, hot water, honey liqueur, and tea. Garnished with a fresh lemon and cinnamon stick.

MOSCOW MULE

A crisp combo of vodka, ginger beer, and lime that goes down smoother than a tap-in putt. Whether you birdied or double-bogeyed, this drink's a guaranteed win on the 19th hole.

★ ★ ★ ★ ★

OLD FASHIONED

Made to your preference: the Wisconsin way - or another way - you're the boss and we don't judge... much.

WHITE RUSSIAN

It really ties the room together. Vodka, coffee liqueur, and half & half. Served on the rocks.

PALOMA

A mix of tequila, grapefruit juice, soda water, grapefruit garnish, and a hint of lime juice. It feels like vacation.

MALIBU SUNSET

The feel of our toes in the warm sand. Beach chair, light breeze... you get the picture. Malibu, pineapple, and orange juice with a splash of grenadine.

BOURBON SMASH

A straight shooter that plays well after any round. Smooth bourbon muddled with fresh lemon and topped with a splash of ginger ale for a crisp, refreshing finish.

ON TAP/BY THE CAN

ASK A SERVER ABOUT OUR AMAZING SELECTION OF BEERS AND SELTZERS.
WE ALSO OFFER A FULL LIQUOR SELECTION AND COCA COLA PRODUCTS.

★ ★ ★ ★ ★

MERCHANDISE

CHECK OUT OUR OFFERINGS FROM THESE AMAZING BRANDS, AND MORE!

★ ★ ★ ★ ★

TaylorMade

Callaway

PXG

oni 4
WINTERGREEN
20 NICOTINE
POUCHES

SWANNIES
GOLF

Blue Tees
GOLF

FOOD MENU



DRIVING RANGE

★★★★★
CLUBHOUSE NACHOS  \$9
Crispy, delicious, and enough to share. Or not. Served with jalapeno cheese sauce and salsa.

★★★★★
LOADED NACHOS  \$13
All of the above, plus chopped bacon, jalapenos, and melted Monterey Jack cheese.

★★★★★
CLUBHOUSE WAFFLE FRIES  \$10
Don't share these - they're too good. Served with your favorite Tour Sauce.

★★★★★
LOADED WAFFLE FRIES  \$14
All of the above, plus chopped bacon, jalapenos, and melted Monterey Jack cheese.

★★★★★
CHEESE CURDS \$10
A Wisconsin classic. Crispy on the outside, Muenster cheese on the inside. Mmmm...

★★★★★
GIANT PRETZEL \$14
Milwaukee Pretzel Co. extra large Bavarian soft pretzel. Served with your favorite Tour Sauce.

BIRDIES

★★★★★
CHICKEN WINGS  \$14
The ultimate game day food. Eight, naked wings served with your choice of Tour Sauce.

★★★★★
CHICKEN TENDERS \$14
A go-to for any age. Five divot-sized tenders served with your choice of Tour Sauce.

 Upgrade from Chips to Fries + \$3

TOUR SAUCES


Buttermilk Ranch | Nacho Cheese | BBQ
 Honey Mustard | Sweet Chili | Blue Cheese
 Nashville Hot | Hot Honey | Ketchup


CLUBHOUSE PIZZAS

★★★★★
SINGLE TOPPING \$16
12" Thin Crust. The classics: Sausage, Pepperoni, or Double Cheese.

SPECIALTY PIZZAS

★★★★★
SAUSAGE AND PEPPERONI  \$18
12" Thin Crust. Hard to beat this combo.

★★★★★
INFERNO  \$18
Sausage and pepperoni, with jalapenos to bring the heat.

★★★★★
CARNIVORE  \$18
Sausage and Pepperoni, with glorious bacon - just what the swing doctor ordered.

★★★★★
ITALIAN BEEF \$18
Italian beef, peppers, gardenias, mozzarella and provolone cheese. Don't Fuhgeddaboutit !!

★★★★★
BREAKFAST \$18
Rise and shine! Topped with sausage, bacon, scrambled eggs, green onions, and cheese.

★★★★★
CHICKEN ALFREDO \$18
A twist on the Italian favorite. Topped with chicken, alfredo sauce, and cheese.

★★★★★
MARGHERITA  \$18
A tomato, basil, mozzarella salad in pizza form?!? What a world we live in.

 Available with Cauliflower Crust as a Gluten-Free option.

