H_2 Engine Enhancements

1.0 Executive Summary

H_2 Engine Enhancements will be formed as a manufacturing company specializing in creation of electrolysis devices for vehicle fuel systems. Its founders are engineers with a technology-focused background. They are founding H_2 Engine Enhancements to formalize the goods they offer. H_2 Engine Enhancements offers a reliable, high-quality product designed to increase fuel economy while improving horsepower on a national scale.

H_2 Engine Enhancements provides the ingenuity high-technology automobile manufacturers need to increase market share while decreasing pollution. This ingenuity takes the form of our product, a device created to deal with pollution and fuel economy. Initial focus will be development of a stable manufacturing arrangement and the establishing of markets in the continental United States.

H2 Engine Enhancements will be created and based in Starkville, MS, owned by its principal investors and principal operators. The initial office will be established in A-quality office space in historic downtown Starkville. The primary challenge facing H_2 Engine Enhancements will be establishing itself as a *real* manufacturing company, positioned as a risk-free corporate investment.

Industry competition most commonly comes in the form of companies that sell their products as after market products. H2 Engine Enhancements' advantage over such companies as these is that we will sell to vehicle manufacturers as well as end users. In the future, we will broaden the coverage by expanding into coverage of additional markets (e.g., all of Latin America, Far East, Western Europe).

Within the US automobile companies that we plan to target, we will focus on large manufacturer corporations such as Nissan, Ford, and GMC. Our secondary target will be the end users wishing to upgrade their current vehicle. H2 Engine Enhancements will offer a product priced at the upper edge of what the market will bear, competing with the name-brand automobile improvement kits. The pricing fits with the general positioning of H_2 Engine Enhancements as providing high-level quality. Sales estimates project revenues of approximately $159,000 in the first year and $289,000 by year 3.

We estimate profits of approximately $65,000 by year 3 with a net profit margin of 6%. The company plans on taking on approximately $130,000 in current debt and raise and additional $50,000 in long-term debt to invest in long-term assets by 1998. The company does not anticipate any cash flow problems arising.

1.1 Objectives

We plan on having sales of $550,000 in 2004 and $1 million by 2007.
Gross margin higher than 70%.
Net income more than 5% of sales by 2007.

1.2 Mission

H2 Engine Enhancements offers automobile manufacturers a revolutionary method for increasing fuel economy and improving horsepower all while lowing emissions. Clients must know that working with H2 Engine Enhancements is a guaranteed way to improve their automobile manufacturing methods. We must also be able to maintain financial balance, we will charge a high value for our services, and deliver an even higher value to our clients. Initial focus will be development in the United States market.

2.0 Company Summary

H2 Engine Enhancements is a new company providing expertise in the improvement of existing automobile manufacturing methods as well as post-market additions. It will focus initially on two services: providing automobile manufacturers with engine improvements and providing end users with engine improvements. As it grows it will take on additional design challenges related to improving gas mileage while considering the environment.

2.1 Company Ownership

H2 Engine Enhancements will be created based in Starkville, MS owned by its principal investors and principal operators. As of this writing, it has not been chartered yet and is still considering alternatives of legal formation.

2.2 Start-up Summary

Total start-up expense (including legal costs, logo design, stationery and related expenses) comes to $50,000. Start-up assets required include $32,000 in short-term assets (office furniture, etc.) and $25,000 in initial cash to handle the first few months of consulting operations as sales and accounts receivable play through the cash flow. Primarily company owners will provide start-up funding. The details are included in Table 2-1.

Start-up	
Requirements	
Start-up	

Expenses	
Legal	$1,000
Stationery etc.	$3,000
Brochures	$5,000
Consultants	$5,000
Insurance	$350
Expensed equipment	$35,000
Other	$1,000
Total Start-up Expenses	$50,350
Start-up Assets Needed	
Cash Balance on Starting Date	$25,000
Other Current Assets	$7,000
Total Current Assets	$32,000
Long-term Assets	$0
Total Assets	$32,000
Total Requirements	$50,350
Funding	
Investment	
Shaun Ivy	$10,000
Jason Griggs	$10,000
Sam Johnson	$10,000