



About the Business and Business Rationale

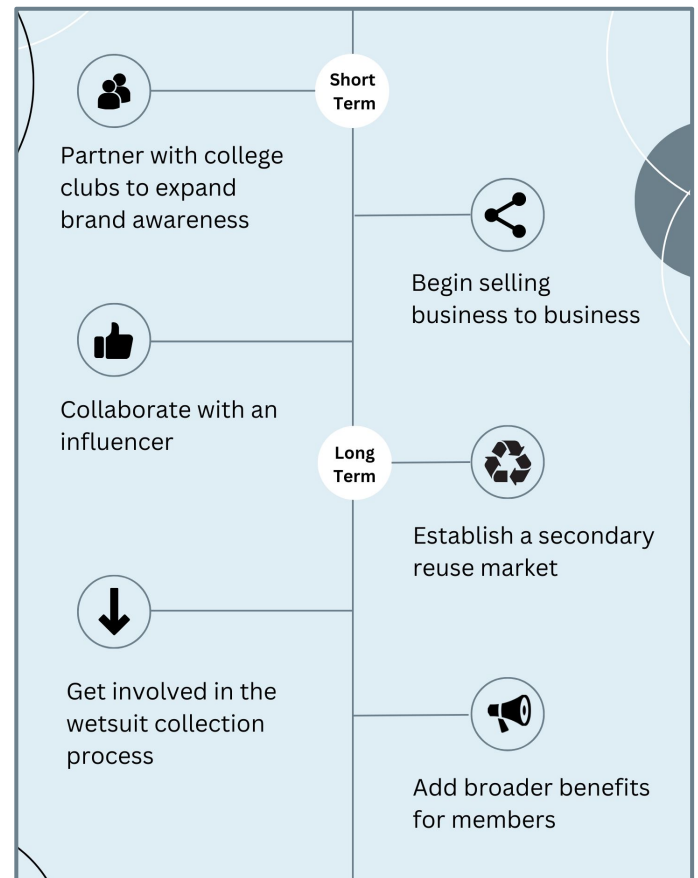
Each year, over 8 thousand tons of wetsuits head to the landfills. With steady annual growth, the global wetsuit market is predicted to exceed **\$2 billion dollars** in 2022. However, these statistics are particularly disturbing given the fact that neoprene waste (wetsuit material) is **100% non biodegradable**. At Neo, we strive to reduce neoprene in landfills by recycling used wetsuits into high quality gear and apparel. As we work to close the loop of neoprene waste, our membership program will simultaneously develop a community of active minded and environmentally conscious individuals.

Instead of the traditional 35-44 year old demographic that is heavily targeted by our competitors, we want to appeal to a younger generation of 18-24 year olds. This younger demographic is more concerned with social and climate issues, allowing them to resonate with our mission. Their main limiting factor in buying environmentally friendly products is cost, which we will subsidize through our membership program. We plan to roll out a membership that benefits the customer by reducing overall cost of our products, allowing them access to our secondary reuse market, and gives them discounts at entities that we have partnered with due to shared environmental values.

OUR MISSION

"To create a community of active eco-conscious individuals while closing the loop of neoprene waste."

We are part of the **recycled textile industry**, which can be classified as a niche in the Clothing & Accessories industry, as identified by the VE marketplace. Based in San Juan Capistrano, CA, our firm incorporated as a first year company on **October 17th, 2022**. Neo is filed as a B corporation to maintain our environmental mission while growing as a young company.



Our products are manufactured in Bulgaria by our partner and wholesaler, Circular Flow. Using a proprietary recycling process, Circular Flow breaks down used wetsuits (collected by their UK and European retail partners) into sheets of neoprene. After lamination, these sheets act much like any other textile, and are used to create our diverse line of products. We then employ UPS to ship directly from Belgium to the customer, ensuring the most efficient delivery possible. With more than 25 employees, we utilize a functional organization, directing weekly leadership and department meetings. In the hiring process, we prioritize the applicant's qualifications and how they best fit into our company culture. Following the initial positional and sales trainings, we continue developing employees through our quarterly 360 reviews.



Marketing Plan

Target Market



Geographic

We target **coastal regions** and the **Northeast** (with our array of winter-weather products)

Demographic

Our primary target market is ages **18-24** while our secondary market extends into adults ages 35-44

Physiographic

Our customers are committed helping the environment and reducing their own carbon footprint

Socioeconomic

We target **middle to upper** class with our wide range of high end products

Behavioral

Individuals who live an **outdoor & active lifestyle**, whether it be skiing, yoga, or fishing

Benefit

We enable customers to shop while making a positive environmental impact

Product - We strive to offer durable and insulated clothes at an affordable price. We have a wide range of products including jackets, bags and yoga mats.

Pricing - We utilize value-based pricing where our outdoor activewear is 10%-20% higher than non-environmentally friendly similar products due to Circular Flow's recommendation based on their research. Our products are priced at a range from **\$25 to \$360**.

Placement - Neo will primarily sell products through eCommerce and at VE trade shows.

Promotion - We plan to heavily market through social media platforms including Instagram, TikTok, ad campaigns, and LinkIn. In addition, we will partner with college clubs to expand brand awareness.

Positioning - Neo is positioned within the **apparel industry**, including footwear, outerwear, pants, and tops. Our usage of recycled materials gives us a competitive advantage in the apparel market.

Business Risks and Solutions

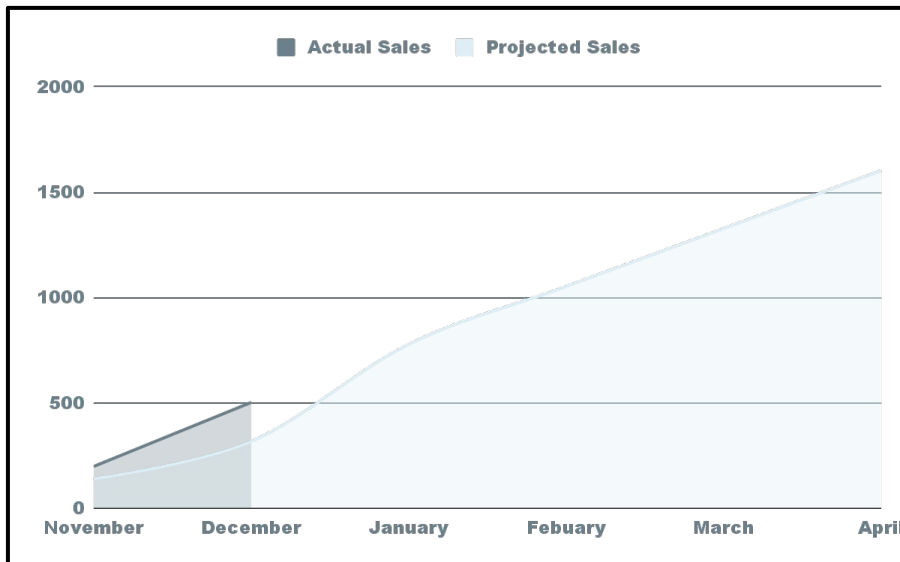
Risk		Solution
Our products are priced higher than their non-recycled counterparts		Studies show customers are willing to pay more for environmentally responsible products, we will heavily emphasize this in marketing
Supply chain issues that can result from having a foreign wholesaler		We partnered with a company based in the UK which has had significantly less shipping delays when compared to other parts of Europe and Asia
Prospective economic decline in coming months		We target middle to upper class; a higher initial disposable income means this economic decline will be less likely to affect spending habits



Financial Planning

Neo began the fiscal year with **\$20,000** in seed money. We later received a small business loan of **\$150,000** at an annual interest rate of **7.25%**. We were able to complete an out of network sales contract with **SoCal Surf Shop** which is providing our company with **\$1,165,000** spread throughout the fiscal year. The last piece of investment money we received is from our Angel Investors. Neo received **\$50,000** each from Capital Group Companies Global, DTG Connection, and Village Capital for a total of **\$150,000**.

US Network Bank		
Account summary		
Account	Account no	Balance
Neo (Budget Checking)	631029133	\$316,299.09



Neo Balance Sheet of December 31, 2022	
Assets	
Current Assets	
Cash	\$ 316,299.09
Investments in stocks	\$ -
Accounts receivable	\$ 194,166.67
Merchandise inventory	\$ -
Supplies	\$ 445.00
Total Current Assets	\$ 510,910.76
Fixed Assets	
Computers	\$ 18,570.00
Less: accumulated depreciation	\$ 773.75
Furniture and fixtures	\$ 10,260.00
Less: accumulated depreciation	\$ 427.50
Office equipment	\$ 7,949.25
Less: accumulated depreciation	\$ 331.22
Total Fixed Assets	\$ 35,246.78
Total Assets	\$546,157.54
Liabilities and Stockholders' Equity	
Current Liabilities	
Accounts payable	\$ 154,356.62
Sales tax payable	\$ 23,857.90
Salaries payable	\$ -
Payroll tax payable	\$ 54,683.58
401(k) payable	\$ 49,291.68
Other payable**	\$ 46,778.03
Corporate tax payable	\$ 17,835.35
Total Current Liabilities	\$ 346,803.16
Long Term Liabilities	
Loan payable	\$ 179,274.25
Total Liabilities	\$526,077.41
Stockholders' Equity	
Common stock, \$10 par value, * # shares issued	\$ 170,000.00
Additional paid-in-capital	\$ -
In excess of par value	\$ -
Retained earnings	\$ (149,919.87)
Total Stockholders' Equity	\$ 20,080.13
Total Liabilities and Stockholders' Equity	\$546,157.54

**Other Payable Includes Rent, Legal Fees, Advertising/Promotion, Insurance, Supplies, Utilities, and Shipping

As of November 17th, our total assets were **\$546,158**. Our total liabilities were **\$526,077**. Our total equity was **\$20,080**. The sum of our equity and liabilities is equal to our total assets meaning our sheet is balanced.



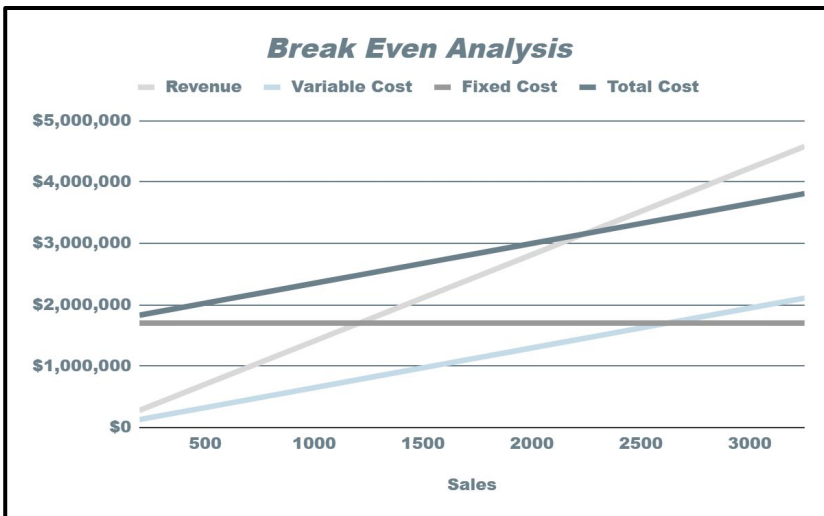
Financial Planning

As previously mentioned, in November, Neo signed a deal with **SoCal Surf Shop** and negotiated an Out-of-Network Sales Contract that will bring in **\$1,165,000** over a 6 month period. This is a key partnership for us in the Southern California region and will assist us in gaining brand recognition in addition to profit.

Trade shows enable us to produce more in-person sales via **bundles** of our products and Neo **memberships**. Trade shows bolster our profit margins and sales respectively, and are a key component in our plan to meet our projected sales by the end of April. As we increase revenue, we will **expand** our **marketing budget** in order to reach more individuals and increase brand recognition.

Neo Profit and Loss Statement For the Year Ending 04/30/2023		
	30-Apr-2023 Projected	31-Dec-2022 Actual
Sales revenues		
Online Sales	\$ 619,656.33	\$ 40,146.40
Trade fair revenues	\$ 929,484.50	\$ 278,220.38
Contractual sales to non-VE entities	\$ 1,165,000.00	\$ 388,333.33
Total sales revenues	\$ 2,714,140.83	\$ 706,700.11
Cost of goods sold or services provided	\$ 1,262,075.49	\$ 325,529.04
Gross profit	\$ 1,452,065.34	\$ 381,171.07
Gross profit margin	53.5%	53.94%
Operating expenses		
Salaries	\$ 413,633.22	\$ 159,089.70
Rent	\$ 22,676.94	\$ 8,721.90
Depreciation	\$ 3,984.42	\$ 1,532.47
Payroll tax	\$ 189,889.08	\$ 76,880.42
Advertising/Promotion	\$ 68,250.00	\$ 23,750.00
Insurance	\$ 693.88	\$ 266.88
Legal	\$ 32,500.00	\$ 12,500.00
401(k) Matching	\$ 128,158.37	\$ 49,291.68
Interest	\$ 19,306.17	\$ 7,425.45
Supplies	\$ 1,950.00	\$ 750.00
Utilities	\$ 11,963.64	\$ 4,601.40
Trade show registration	\$ 7,500.00	\$ 2,500.00
Other(shipping)	\$ 11,552.00	\$ 4,443.08
Total operating expenses	\$ 922,057.73	\$ 351,752.97
Income from operations	\$ 530,007.61	\$ 29,418.10
Income from other revenues	\$ -	\$ -
Angel Investors	\$ 150,000.00	\$ 150,000.00
Seed Money	\$ 20,000.00	\$ 20,000.00
Net income before taxes	\$ 700,007.61	\$ 199,418.10
Corporate income tax	\$ 147,001.60	\$ 41,877.80
Net income after taxes	\$ 553,006.02	\$ 157,540.30

Depreciation was calculated on the VE standard of 20% per year
Corporate tax was calculated on the VE standard of 21%



Neo Break Even Analysis	
Average selling price per sale	\$1,408.70
Average cost of goods sold per sale	\$648.85
Average profit rate	53.94%
Annual Fixed Cost	\$1,702,260.42

Break even point in sales dollars:	\$3,155,840.61
Break even point in # of sales:	2,241

Our total sales revenue from the 2nd half of **October 2022** to **December 31st, 2022** was **\$706,700**. Throughout those months the total Cost of Goods Sold was **\$325,529**. Our total operating expenses amounted to **\$351,753**.

Our break-even point in sales is **\$3,155,840** and we need to make **2,241 sales**. This projects us to break-even in **July 2023**.

Our average revenue per sale is **\$1,408.70** and our average cost of goods sold per sale is **\$648.85**. This makes our gross profit margin about **53.94%**, which puts us ahead of the industry average.