

Blipfuture CIC

blipfuture
Financial Plan

Save Blipfoto - Own Your Life



Save Blipfoto – Own Your Life

Legal Information

This document presents additional information on the business plan and financial forecast information for the Blipfuture CIC (“the Company”) for the purposes of the crowdfunding campaign running at <https://blipfuture.sharein.com> from December 2015. This document must be read in conjunction with the full business plan and other information presented on that site.

This business plan and the contained financial forecast information is not a guarantee or other promise that the Company will be able to achieve what it has stated it is hoping to do. The Company does not guarantee that EIS tax relief (for United Kingdom residents) or any other type of tax relief for any Investor shall apply in respect of any investment(s) made by the investor in the Company. There is no guarantee that the investor will ever receive a dividend in relation to the shares that are applied for as part of the investment. There is no guarantee that there will be any opportunity for investors to sell their shares or otherwise receive any financial benefit from ownership.

The business plan and the contained financial forecast information contains forward-looking statements and information relating to, among other things, the Company, its business plan and strategy, and its industry. These forward-looking statements are based on the beliefs of, assumptions made by, and information currently available to the Company’s management. When used in the business plan and the contained financial forecast information or any other information provided by the Company in relation to the fundraising, the words “estimate,” “project,” “believe,” “anticipate,” “intend,” “expect” and similar expressions are intended to identify forward-looking statements. These statements reflect management’s current views with respect to future events and are subject to risks and uncertainties that could cause the Company’s actual results to differ materially from those contained in the forward-looking statements. Investors are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date on which they are made. The Company does not undertake any obligation to revise or update these forward-looking statements to reflect events or circumstances after such date or to reflect the occurrence of unanticipated events.

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1 - Introduction

Since the launch of the Blipfuture crowdfunding on 4th December, the Blipfoto community has unsurprisingly raised many questions about our proposal. One significant category of questions is about the financial information in the business plan and the assumptions behind it. Although there is a detailed model behind the scenes, only a summary appears in the business plan with high level descriptions of the assumptions.

We want to be as transparent as possible, so in response to questions from the community we have prepared this document to give another level of information and give more insight into the financial model we have prepared. We hope this will help reassure you that the Blipfuture team has made a reasonable set of assumptions.

There are a number of reasons why we do not intend to supply the full detail of the financial model to the community – which are all motivated by ensuring that we can achieve a sustainable Blipfoto - the whole purpose of Blipfuture.

- **Commitment:** If we share every detail of the financial plan then it forms part of the share offer we are making. If we then do something differently, we are breaking the terms of our contract with you. We need to be able to be flexible in running Blipfuture and to deal with events as they unfold – not committed to every single detail in our model. If we raise more than the minimum amount, then some of these numbers will certainly need to change as we spend more in order to do more for the community.
- **Commercial Sensitivity:** There are some numbers that essentially describe other people's commercially sensitive information – for example prices we have been quoted for office space or technical maintenance work. We cannot release third parties financial information without damaging our relationships with suppliers and partners.
- **Personal Information:** We intend to employ staff and contractors. It is not generally considered acceptable to publish their salaries and day rates.
- **Acquiring Blipfoto:** We have an outline agreement for the purposes of acquiring Blipfoto from the current owners, but there is a lot of detail to be completed on this deal. We cannot share detail we have not yet confirmed, nor restrict our ability to negotiate by publishing this detail.

2 - Key Question: How many Members are there?

A key question for the sustainability of Blipfoto is how many members it has. This helps to understand the likelihood of being able to complete the crowdfunding and create a sustainable membership model.

6300 users posted blips in December 2014.¹

Over 6400 users logged in² and 3698 users posted blips³ in November 2015.

487 new users created accounts and 183 posted their first blip⁴ in November 2015.

User numbers were higher before the controversial Polaroid rebranding and company liquidation - some people have left Blipfoto due to the uncertainty about its future in recent time. We will encourage lapsed users to return to the revitalised site.

We will also encourage the community to recruit and engage with new members, spread the word about Blipfoto, and generally promote the site. Our mission is to create a sustainable Blipfoto, and that means we need to maintain or grow the membership base.

¹ Source: Blipfoto site database. 7337 people posted blips in January 2015, but

² Source: Blipfoto site database – 6424 users logged in during November 2014

³ Source: Blipfoto site database

⁴ Source: Estimate based on Blipfoto site activity

2.1 - How many people need to contribute to the crowdfunding?

If 6000 members contributed to the crowdfunding at an average level of £30, we would reach our £180,000 target. If 3000 members contributed at an average level of £60 we would reach our target.

The following table shows the average contribution needed to reach the £180,000 target for different numbers of contributions:

Number Contributing	Average Contribution
6000	£30.00
5400	£33.33
4800	£37.50
4200	£42.86
3600	£50.00
3000	£60.00
2400	£75.00
1800	£100.00
1200	£150.00
600	£300.00

A key point here is that this is an average contribution – some may contribute nothing, others buy a single £10 share, others still may buy many shares.

The Blipfuture team believes that it is possible for the crowdfunding to succeed based on these numbers, if there is the will within a significant portion of the Blipfoto community to try to save the site.

2.2 - How many people need to buy memberships?

We expect the annual running costs of the site to be around £100,000. Unlike in the crowdfunding where there is no taxation, Blipfuture CIC will have to charge VAT on memberships. Some international memberships will not have VAT on them, but international transaction fees may be higher. This means we expect to need to charge members around £120,000 (including VAT) each year to sustain the site. If the 3698 users who posted blips in November 2015 split this cost equally, the average annual membership price needed to sustain the site would be £32.50 per user.

The following table shows the average membership payment needed to fund Blipfuture for different numbers of paying members:

Number of Paying Members	Average Membership Charge
6000	£20.00
5400	£22.22
4800	£25.00
4200	£28.57
3600	£33.33
3000	£40.00
2400	£50.00
1800	£66.67
1200	£100.00
600	£200.00

Once again the key point here is that this is an average contribution – some members may use the site for free while others may buy a premium membership.

The Blipfuture team believes that it is possible to build a sustainable model based on these numbers, if there is the will within a significant portion of the Blipfoto community to sustain the site.

If there is low take up of memberships, Blipfuture CIC will first seek to cut costs to create a sustainable future for Blipfoto. If the level of membership take up is too low, Blipfuture CIC may become insolvent and be placed in liquidation. Blipfuture cannot speculate on what may happen to remaining assets in the event of liquidation, but it is likely that Blipfoto would cease to operate.

2.3 - How much will membership cost?

Our mission is to become sustainable, which will depend on paid subscriptions. However, free memberships have always been a part of Blipfoto. We have not committed to membership pricing or structure as it is something we intend consult on with the community. The community should have a say in this since it will be so crucial to success.

This is the point at which there are many different options. Do we retain a free membership or is that unsustainable? Should we retain free memberships but collect advertising revenue from those journals? Should there be more than one tier of paid membership? Should we offer a monthly payment option for memberships? Should we try to attract membership revenue from those who view the site regularly but do not contribute?

The financial model has been used to explore many different options for membership pricing and structure, and we are confident that following appropriate consultation we will be able to set membership pricing and structure which both reflects the views of the community and can deliver the required revenue to cover costs.

2.4 - How big is the Wider Community?

Blipfoto is about more than just the people who post – it is also about the people who view our posts.

Over 116, 000 people visited Blipfoto during November 2015.⁵

If even a small fraction of Blipfoto's viewing audience were to contribute to crowdfunding or membership income, this would make an additional contribution to our funding needs.

2.5 - Is the £180,000 all going to buy Blipfoto?

No. If we raise £180,000 a very significant portion of that is working capital so we fund Blipfuture while we put in place the new paid membership scheme. Some of the funds raised will go directly towards buying Blipfoto. We expect the deal to buy Blipfoto will include a combination of cash, shares and long term payments. There is more detail on this below.

⁵ Source: Google Analytics data for polaroidblipfoto.com. 116,349 unique user visited the site during November 2015. This number excludes unique users on the iPhone or Android apps (2,595 and 2,332 respectively) as some of these users will be duplicates of website visitors.

3 - Business Plan Detail

To make this document easier to relate to the business plan, we have followed the structure of Section 5 (Financial Plan) of the business plan. The information that comes from the business plan appears on a blue background to distinguish it from the new information we have added here.

This financial forecast information is not a guarantee or other promise that the Company will be able to achieve what it has stated it is hoping to do and contains forward-looking statements and information relating to, among other things, the Company, its business plan and strategy, and its industry. These forward-looking statements are based on the beliefs of, assumptions made by, and information currently available to the Company's management.

3.1 - Summary

The financial model for Blipfuture CIC is based on a set of assumptions about costs and revenues, which have been prepared with access to information from Blipfoto Ltd and the current owners.

Based on this model, the company expects to be profitable from the third year of operations, and will be sustainable in the long term.

£'000	Year 1	Year 2	Year 3	Year 4	Year 5
Proposed Investment	180				
Sales Revenue	57	110	117	124	131
Cost of Sales	12	12	13	13	13
Gross Profit	45	97	104	111	118
Gross Profit %	79%	89%	89%	89%	90%
Overheads	148	100	96	100	104
Profit (EBITDA)	(102)	(3)	8	11	14
Cash Minimum	23	17	18	31	46
Closing Balance	39	39	51	66	83
Headcount (end)	1	1	1	1	1

3.1.1 - Q&A

What is EBITDA?

EBITDA is a specific measure of profitability – Earnings Before Interest, Taxation, Depreciation and Amortisation. It is often considered to be a useful metric of

financial performance. For more information see the [Investopedia article on EBITDA](#).

Your “Cost of Sales” seems too low to run a company?

The cost of sales figure shown in this table consists of only “variable” costs which can be directly allocated to a specific transaction. This is composed of two parts:

- Transaction processing fees for membership receipts
- Costs of delivering projects for commercial partners (e.g. a project similar to Velux Lovers of Light).

These are costs that vary directly with the number of members and number of projects we do with partners.

Most of the running costs, including office, staff and salaries are treated as Overheads – the difference between Gross Profit and EBITDA. This is because these costs don't vary directly with the number of members or projects we do.

We have added an Overheads line into the table above to make this clearer.

Why does the revenue grow so much between Year 1 and Year 2?

The main reason for higher revenues in Year 2 is that it is the first full year during which memberships will be on sale. We have assumed there will be a delay of 3 months between the Crowdfunding closing (Month 1, Year 1) and being able to launch memberships, and that memberships will then be taken up over a period of months.

There is more detail on our membership projections in the “Key Questions” section above.

Why does the overhead fall so much between Year 1 and Year 2?

We estimate the running costs of Blipfuture CIC at around £100,000/year. In Year 1 there will be a lot of extra one-off costs associated with the launch of the new company.

There is more detail in the “Setup Costs” and “Running Costs” sections below.

3.2 - Key Assumptions

3.2.1 - Crowdfunding

- The financial model assumes that the crowdfunding campaign raises £180,000.

Q&A

When will you take my money?

We will not collect any of the money pledged unless the crowdfunding reaches at least £180,000. This is the minimum amount that we believe is needed to start Blipfuture CIC and acquire Blipfoto with a reasonable chance of being successful.

If and when the campaign reaches £180,000 we will arrange to collect money from pledgers and issue shares. Pledgers will receive notification at this time, and will have the opportunity to withdraw if, for example, their financial circumstances have changed.

The campaign will remain open until 1st March or when it has raised £400,000, whichever comes sooner. At this time we will collect additional pledges that have been received since passing the £180,000 threshold.

Once a pledge has been made the amount cannot be changed. Users who wish to increase their pledge can effectively do so by making an additional pledge for the extra amount. Users wishing to cancel their pledge can contact ShareIn (see Crowdfunding FAQs).

Why do you want to raise more than £180,000?

To put the company in the strongest financial position possible to succeed.

Blipfuture will work with the community to decide how the additional available money is spent. The more money that is raised the greater the scope there will be to introduce new features and activities, develop a new shop and forum, and generally create a more vibrant and engaging Blipfoto.

3.2.2 - Setup Costs

- Crowdfunding campaign and payment processing
- Legal fees

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Overheads in Year 1 are estimated at nearly £50,000 higher than in Year 2, made up of a number of elements. Fees are payable to ShareIn for the crowdfunding platform they are providing for the campaign. There are also costs for legal work on preparing and incorporating the company, completing the crowdfunding transactions, and handling legal aspects of acquiring the Blipfoto assets. We are keen to minimise these costs, but this needs to be done properly for the benefit of the community. We are using MBM Commercial as our lawyers – they are experienced in both Crowdfunding and technology companies, which reduces our costs because they already understand what we are trying to do.

Other additional overheads in Year 1 include the costs of an accountant to help set up accounting systems and of updating the Blipfoto website in order to remove Polaroid branding and make other minor but necessary changes.

- Initial purchase payment to current owners of Blipfoto

Q&A

How much are we paying for Blipfoto?

Based on the preliminary agreement we have in place with the current owners, we expect the total cost of the buyout transaction will be no more than the current owners paid to acquire and run the site while they owned it. They wish to sell Blipfoto, and they have been very flexible in offering to take payment in a combination of cash, non-voting shares in the new company and long term payments which are only made when and if the company generates a profit.

The cash part of this transaction will use a significant part of the cash raised during the crowdfunding, but will leave sufficient working capital to pay the other startup expenses and run the site for several months while we re-instate paid memberships to generate revenue for ongoing expenses.

How much are you paying the founders (Joe & Graham) or investors of Blipfoto Ltd?

The only parties involved in this transaction will be the current owners and Blipfuture CIC. The original founders of Blipfoto Ltd and their investors will not receive anything from Blipfuture CIC.

3.2.3 - Running Costs

- Running costs for servers, services and domains at current levels

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Blipfoto runs on Amazon's servers and the running costs are in the low thousands each month. Domain names and additional services such as ZenDesk add only a few tens of pounds a month.

- A single member of staff employed to co-ordinate activities

The member of staff will be paid a salary.

None of the directors of Blipfuture will receive a salary or any other payment for their role as a director. Directors may be paid reasonable expenses, and it is possible that one or more of the directors could provide professional services to Blipfuture – in which case they would be contracted at a commercial rate.

- Modest office, administration and accounting costs

We expect to take office space in CodeBase in Edinburgh, which is a hub for startup and online business. This office space comes at a very competitive price (a few thousand pounds a year) as it is aimed at companies without huge resources at their disposal, while at the same time giving us access to excellent facilities, infrastructure, and a community of people working with similar technologies and challenges. It will also give us space to accommodate additional personnel - for example and contractors working on specific projects.

We expect to appoint MBM Commercial to carry out Company Secretarial activities (e.g. maintaining registers of shareholders, annual returns to Companies House) and to provide a registered office address. We expect to use an accountant with considerable experience of small online and startup companies, who is the owner of a small accounting practice. The accountant will prepare monthly management accounts and annual accounts.

- A developer will be paid to re-brand the site as Blipfoto and support technical operations for the first 12 months.

We have budgeted for one of the original Blipfoto development team (not one of the founders) to carry out the work needed to remove the Polaroid branding and restore the site to a Blipfoto identity and domain. We have also budgeted for a small amount of time from this member of the original Blipfoto development team on an ongoing basis, to help support the site during the first year.

We expect that by the end of the first year we will have established the knowledge within the Blipfuture team and the community to carry on routine maintenance without further outside support.

Where their knowledge and skills are essential to the ongoing operations of Blipfoto as part of Blipfuture CIC, we may bring in other former members of the Blipfoto staff team to solve problems and transfer knowledge.

3.2.4 - Income

- Different levels of membership are offered and take up within the community is 30% higher than previous membership offers, reflecting increased engagement due to community ownership

Q&A

How many members are there? How much will membership cost?

See “Key Question: How many Members are there?” above.

- One large project (similar to Velux “Lovers of Light”) is hosted each year with 50% gross margin

3.3 - No Returns for Shareholders Expected

You should not buy shares in Blipfuture CIC with an expectation of being able to make a profit on these shares, or even that you will be able to get your money back.

Blipfuture is being created to run Blipfoto on behalf of its members. Any profits that it generates will be put back into developing the site and community, with input from the community concerning how it should be spent.

It is unlikely that shareholders will have an opportunity to sell their shares, and even if they are able to do so it may be for less than they paid.

It is possible that if Blipfuture is hugely successful it could pay a dividend to shareholders. This would be capped by the regulations on Community Interest Companies (currently no more than 35% of profits may be distributed) and would require approval by both directors and shareholders.