

Virtual Services

Business Plan & Report

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1. Executive Summary

VirtualServices aims to provide a service to small and medium sized businesses and individuals that resolves several issues that concern all businesses and individuals regarding their computing needs. Our service will provide complete virtual remote desktop and virtual servers service that will be cost effective, secure and data safe.

The service will be accessible from anywhere where an ADSL connection is available and we will be providing 24/7 user support and our service will be covered by a 99.9% availability service level agreement.

Our users will enjoy a solution against the rising costs for infrastructure and software licenses, the risk of data loss from theft, disaster and hardware failures and the necessity for back-up and restore procedures.

Our users will also be able to pay software licenses on a time and usage basis and avoid the possibility of the heavy fines for illegal software usage.

In summary our service offers these unique characteristics:

- Ideal for small businesses, individuals and professionals
- Cost effective compared to traditional computer infrastructure
- Secure, personal and data safe (backup and disaster recovery)
- Access from anywhere
- Provide 24/7 user support
- 99.9 % Service Level Agreement

We provide a solution against these issues:

- Rising costs for IT infrastructure and software licenses
- High fines for illegal software usage
- Data loss from theft, disaster and hardware failures
- Backup and Restore Procedures
- Regular Hardware upgrades
- Regular IT support
- Individuals that share a family PC will have their own secure and private desktop and data
- Pay for expensive software packages on a time/usage basis

Apart from the financial benefits, our service allows the small and medium size businesses to concentrate on their core business activities instead of their computing needs and infrastructure.

1.2 Mission

The mission of VirtualServices is to become the leader in IT Virtualisation services in Greece and provide a unique, cost effective, complete, secure and reliable IT infrastructure solution to all our customers.

3. Service

3.1 Virtualization

Virtualization is the creation of a virtual, rather than actual, version of something, such as an operating system, a server, a storage device or network resources.

Operating system virtualization is the use of software to allow a piece of hardware to run multiple operating system images at the same time. The technology got its start on mainframes decades ago, allowing administrators to avoid wasting expensive processing power.

There are three areas of IT where virtualization is making head roads, network virtualization, storage virtualization, and server virtualization.

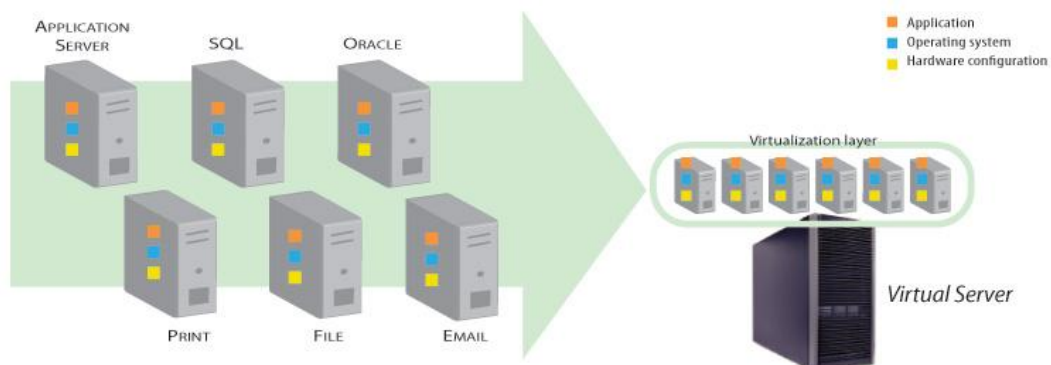


Figure 1 – Server Virtualization

There are several reasons as to why many companies either adopt or consider adopting virtualization and cloud computing. Figure 2 below, breaks down these factors.

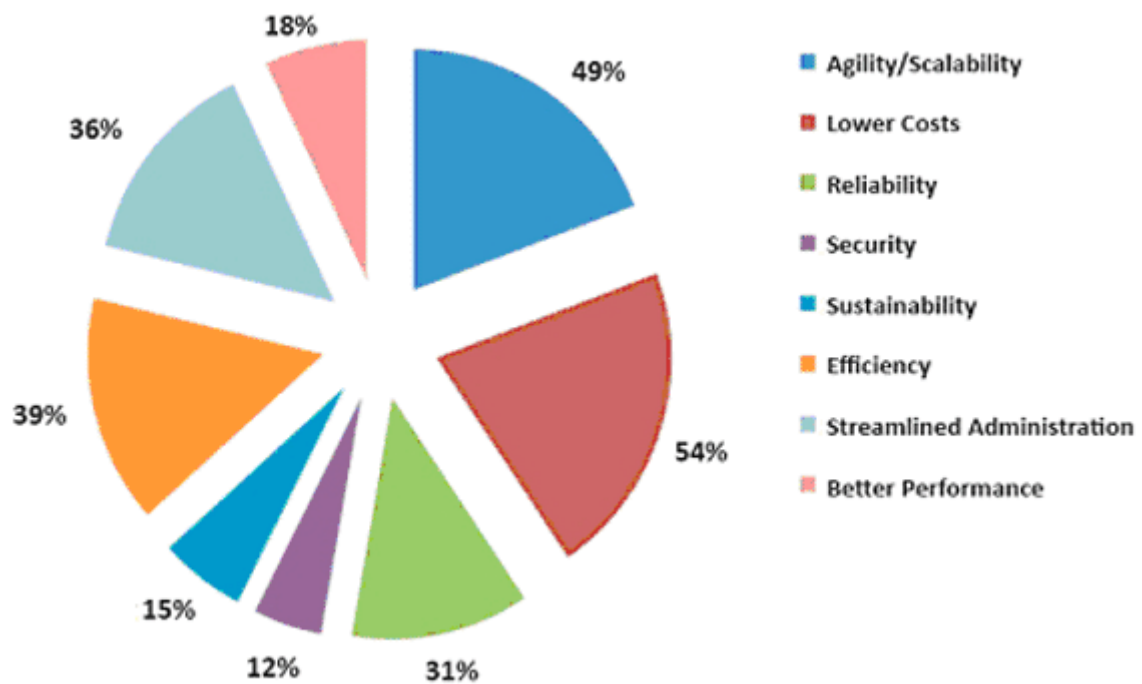


Figure 2 – Driving factors for adopting virtualization (Source: ITBusinessEdge)

Companies that already utilize virtualization, in one form or another, report several benefits arising from this practise. The two major benefits of virtualization reported by survey participants were reduced time spent on routine and repetitive tasks, and improved applications availability. 73% of respondents reported reductions in time spent on routine tasks, and 71% reported improvements in applications availability. Figure 3 below, lists these benefits.

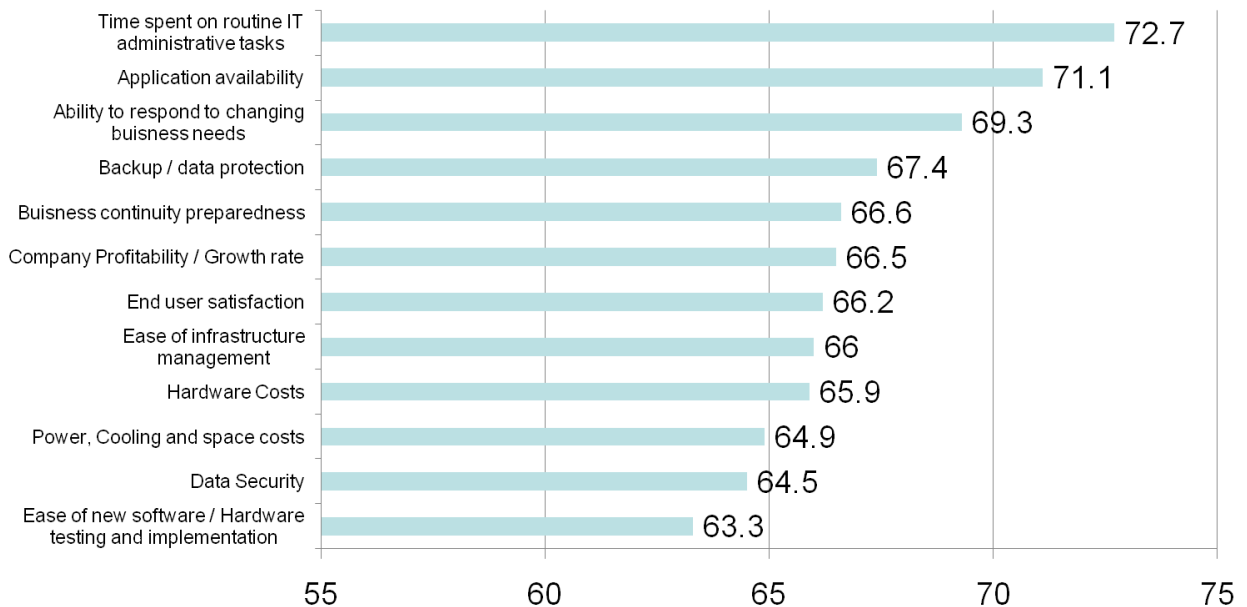


Figure 3 – Benefits of Virtualization (Source: VMWare)

According to a recent Microsoft research over 50 % of IT costs are related to IT infrastructure.

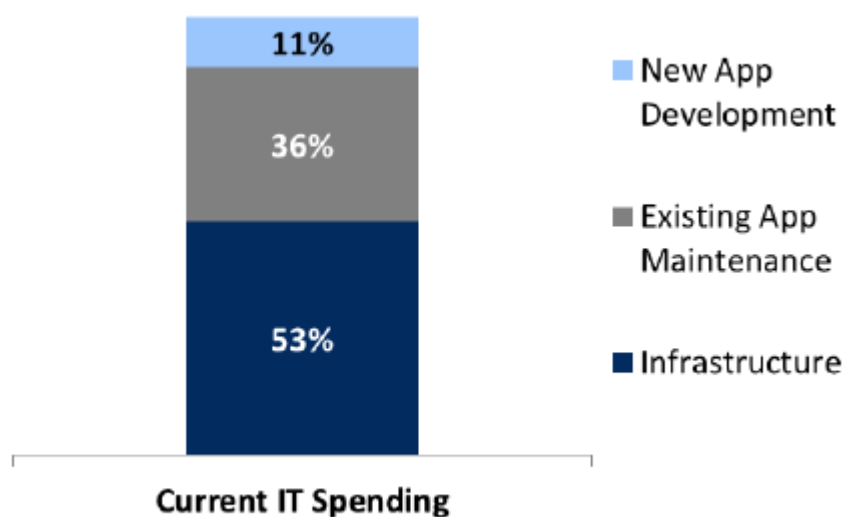


Figure 4 – IT spending per sector (Source: Microsoft, November 2010)

3.2 Remote Desktop

In computing, the term remote desktop refers to software or an OS feature allowing applications, often including graphical applications, to be run remotely on a server, while being displayed locally. Remote desktop applications have varying features. Some allow attaching to an existing user's session (i.e. a running desktop) and "remote controlling" it in front of the user's eyes. Taking over a desktop remotely is a form of remote administration.

Examples of remote desktop applications are:

- Remote Administrator
- TeamViewer
- Apple Remote Desktop
- AnywhereTS
- Citrix XenApp
- Proxy Networks

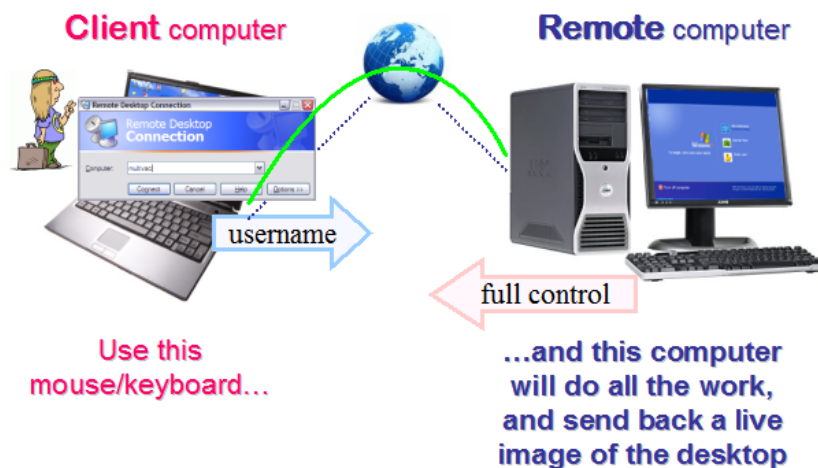


Figure 5 – Remote Desktop

3.3 VirtualServices added value

VirtualServices will combine the Remote Desktop and Virtualization technologies in such way in order to provide a service to the small and medium size businesses, where then there will not be a need for physical servers and PC maintenance inside the company. In effect companies will be able to outsource all their IT infrastructure and maintenance to VirtualServices and enjoy peace of mind, lower costs and continuous expert IT support.

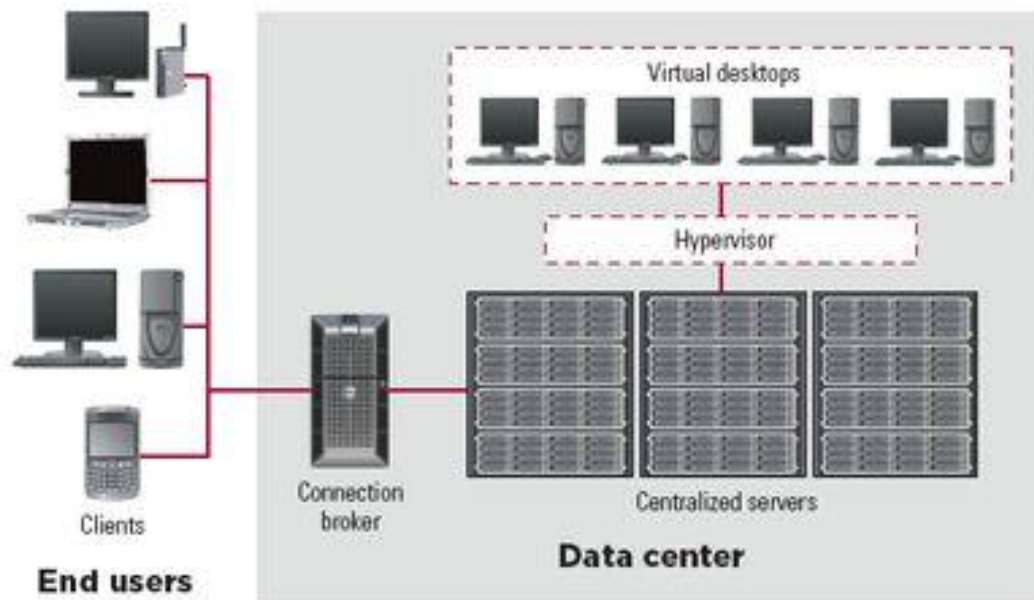


Figure 6 – VirtualServices added value

3.4 Technologies and Vendors

VirtualServices will deploy proven and well known Technologies and Vendors which reduce the investment risk. The virtualization technologies have been proven over the past decade and all major IT and software vendors support and actively promote virtualization.

Some of the most popular virtualization solutions are:

- VMware workstation
- HP Client Virtualization solutions
- Citrix XenDesktop
- Virtual PC
- Hyper-V
- Microsoft Virtual Desktop Infrastructure (VDI)

3.5 Financial Benefits to our Customers

We have analyzed the basic IT costs for an average small non-IT related business with 10 employees. These costs are:

€3,000 for outsourced PC support

€2,000 for servers

€2,000 for software licences

€1,500 for backups and disaster recovery

€1,500 for hardware replacements

€10,000 Total p.a.

For a monthly fee of €45 per employee, we can provide virtual Windows desktops, MS Office applications, a mail server and an application server. The resulting IT costs for this company would be:

€5,400 for Virtual Services costs

€2,000 other IT costs

€7,400 Total p.a. which represents a **35 %** reduction in IT costs

4. Market Information

In general the ICT sector and the Communications infrastructures in Greece are well established and mature. ADSL technologies and market penetration don't lack significantly from the European Union averages. Mobile broadband usage is also expanding rapidly and all major telecommunication companies in Greece offer Mobile broadband services.

The most important Market Information for Greece is:

- There are over 2 million ADSL connections in Greece (July 2010)
- ADSL market penetration in Greece stands at 18.6% (July 2010). EC average is 24.8 %
- There are 1.2 million Mobile Broadband users in Greece. Market penetration is 11.3 % (October 2010)
- Around 50% of Greeks have access to a PC. EC average is 65% (October 2010)
- Broadband population coverage in Greece is 91% (July 2010). EC average is 94%
- Computer sales in Greece were down 22.7% in the first quarter of 2010
- There are 875,000 small and very small businesses in Greece
- Software piracy in Greece stands at 58% (May 2010)
- ADSL prices have dropped significantly over the past 4 years
- Under Greek Law (3524/07) the fine for using pirate software is €1000 per installation and computer
- Reports to Business Software Alliance (BSA) on illegal software usage has risen by 60% in the first half of 2010
- Tax Police (SDOE) is also responsible for conducting copyright compliancy audits
- IT spending in 2009 reached the amount of 2.4 billion EUR (\$3.5 billion). From the end of 2008 to the end of 2013, IT spending will grow 5.0% a year approximately.
- The IT market will drive the creation of nearly 350 new businesses between now and the end of 2013. Most of these companies will be small and locally owned organizations.

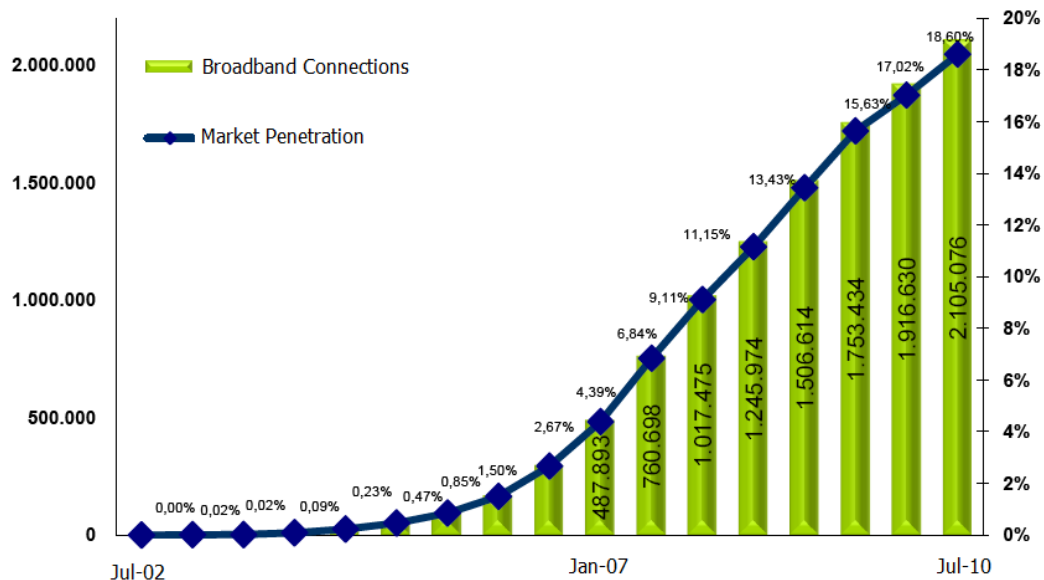


Figure 7 – ADSL Connections and Market Penetration in Greece (Source: Observatory for the Greek Information Society)

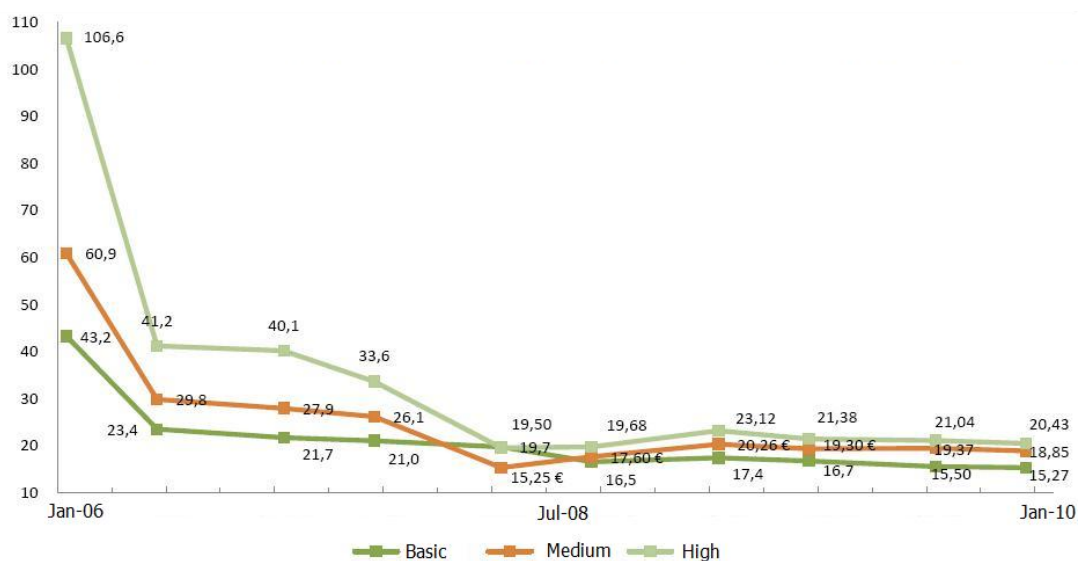
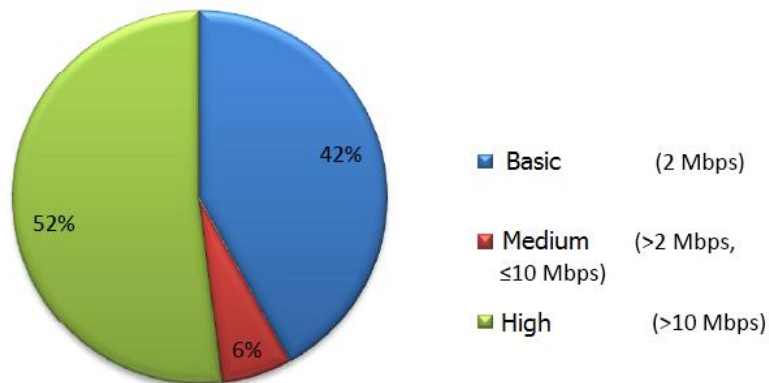


Figure 8 – Average ADSL prices in Greece per service from January 2006 to January 2010 (Source: Observatory for the Greek Information Society)



*Figure 9 – Market share of ADSL nominal speeds in Greece in July 2010
(Source: Observatory for the Greek Information Society)*

IT Profile and Forecast:

Greece

	2008	2009	2010	2011	2012	2013	08-13 CAGR
Spending (Million LOCAL)							
IT Hardware	1,582	1,553	1,640	1,797	1,956	2,092	5.8%
Software	285	295	310	330	353	378	5.8%
IT Services	510	513	520	534	551	569	2.2%
Total IT	2,377	2,361	2,470	2,661	2,860	3,040	5.0%
IT Contribution							
IT/GDP (%)	1.0%	1.0%	1.1%	1.1%	1.2%	1.2%	
IT Tax Revenues (Million LOCAL)	2,488	2,419	2,434	2,516	2,616	2,730	1.9%
Total Number of IT Companies	4,842	4,850	4,909	5,003	5,100	5,189	1.4%
IT Employment							
Total Number of Employees	103,652	104,017	105,762	108,544	111,527	114,367	2.0%
Total Software-Related Employees	31,999	33,498	33,904	35,183	35,689	36,652	2.8%
Cloud plus Clients							
Net New Business Revenues (Million LOCAL)	-	-	316	746	1,282	1,949	

Figure 10 – IT Profile and Forecast for Greece (Source: IDC Economic Impact Study)

We consider the Mobile Broadband infrastructure and usage to be very important for our growth. This is due to the use of mobile phones for tethering which is the use of a mobile device with Internet Access such as 3G cellular service to serve as an Internet gateway or access point for other devices. That is using a mobile phone broadband connection to access the Internet from a laptop computer. Figure 10 below, shows the expected mobile broadband usage growth per usage.

Mobile Broadband Usage Forecasted Growth 2010 - 2014

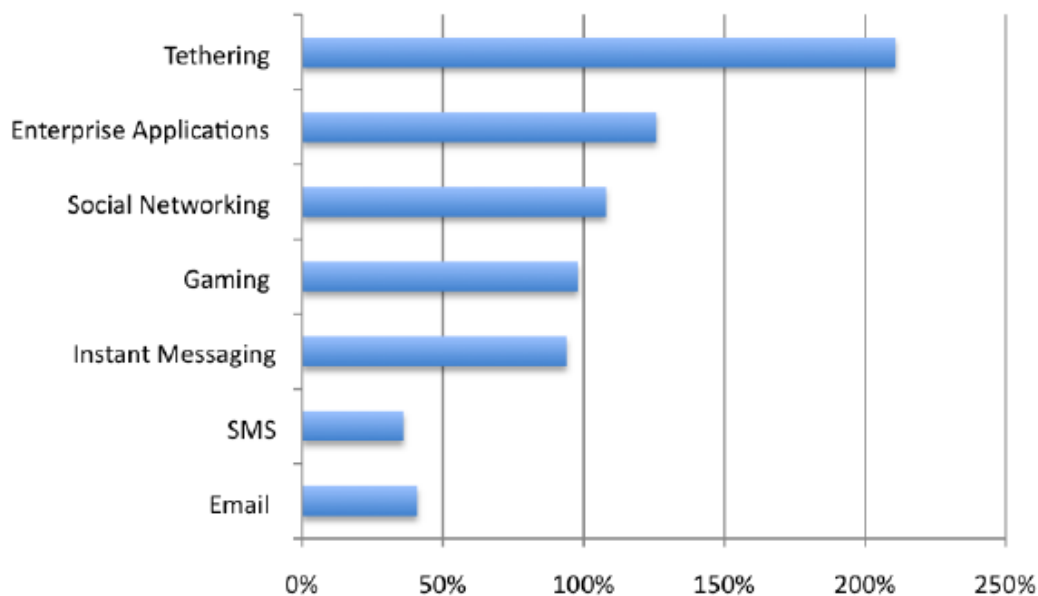


Figure 11 – Mobile Broadband usage Forecast growth 2010 – 2014 (Source: Cisco)

5. PEST Analysis

Political

- The Government Policy concerning the ICT Industry in Greece is Stable.
- The ICT Environment is regulated by the Hellenic Telecommunications & Port Commission
- The current financial crisis and the subsequent measures the Government has taken may cause instability in the whole political scene.
- New legislation is expected soon that would minimize the time and bureaucracy required to launch a new company.

Economical

- There are rumours that the Government will impose a higher tax in the use of mobile phones.
- The Economic recession has brought a significant drop in the ICT industry sales.
- The Buying Power of Greek consumers has dropped significantly and consequently this resulted in a curtailment in ICT expenditure.
- The Government intends to exploit two for small and medium size businesses which will be subsidized the E.U. and will have correlation with the ICT Industry (Digi-Retail & Digi Content)

Social-Cultural

- There is a large number of Universities in Greece offering IT Education.
- The Greek ICT industry personnel is very familiar with the latest technology as they possess a great level of IT skills.
- Greece is among the countries with the highest rates of English and other foreign language speakers. This makes them able to communicate and work either locally or internationally.

Technological

- Cloud computing implementations stand at significant low levels.
- There are over 2 million ADSL Connections in Greece. Every day there are 1,500 new broadband connections.
- There are 1.2 million Mobile Broadband users in Greece.
- Cellular mobile tariffs in Greece are among the highest in the E.U.
- The Hellenic Telecommunications Organisation has already started to gradually replace the existing cable network with new Optical fibres. The project is expected to end at the end of 2013.

6. SWOT Analysis

Strengths

- Quality of Provided Service (SLA 99.9%).
- Employee Expertise and Motivation (They feel part of the Company).
- Flexibility of the Provided Services.
- Local presence and language.
- Clear Financial Benefits for our Customers.

Weaknesses

- Weak Reputation (New Company).
- Differentiation is Difficult to Achieve.

Opportunities

- Sizeable and Fast Growing Market (875,000 SMB's and 2 million DSL connections).
- Widespread Mobile Technologies (Phones, Tablet PCs & Personal Organizers with Internet Access).

Threats

- Strong and Wealthy Competitors.
- Global Economic Recession reduces the ICT expenditure.
- Many people may be unwilling to keep their personal data on the cloud.

7. Porter's Five Forces Analysis

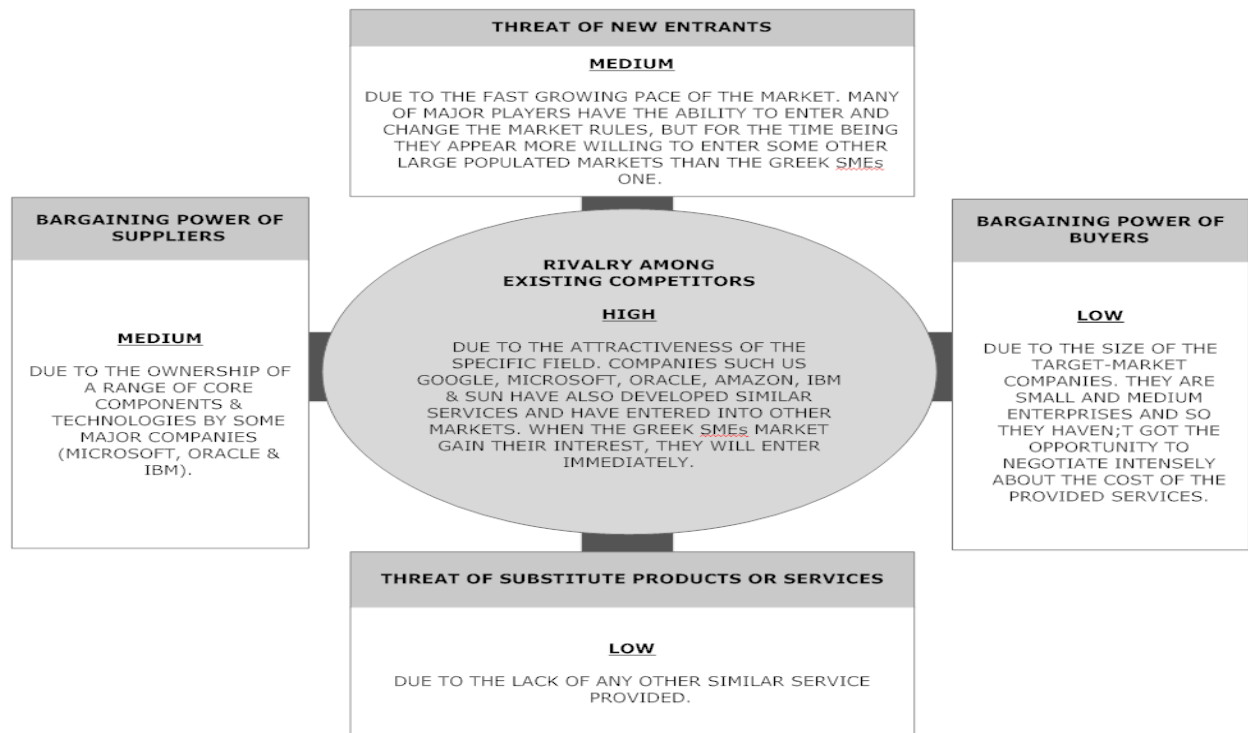


Figure 12 – Porter's Five Forces Analysis

8. Value Chain Analysis

Firm Infrastructure: The management team focuses on goals set out in their strategic plan.

Human Resources Management: All staff is trained to the highest industry standards.

Technological Development: The Company uses High-End Technology to guarantee the Security and the Quality of the provided services.

Procurement: The Company will sign Exclusive Contracts with Software Suppliers.

Inbound Logistics: Contemporary Storages for keeping the Servers in the appropriate/required condition.

Operations: All the information is handled by experienced professionals with deep knowledge of the specific field.

Outbound Logistics: Up to date system for supporting all the needs of the existing customers.

Marketing & Sales: Participation in a wide range of Exhibition Fairs to approach and attract customers from the Main Target Market (SMEs). Additionally, the company has an active advertising presence in many Technology Magazines and Newspapers with high circulation.

Service: Collaboration with experts in the fields of the provided Services as well as in the field of after sales service. In the main Premises of the company are held Training Sessions for the Customers without any charge.



Figure 12 – Value Chain Analysis

9. Technology Diffusion

Figures 13 and 14, show the current state of the Cloud Computing technology diffusion. The analysis on the position is based on the general industry perception on Cloud computing, press volume that Cloud computing generated, and the number of implementations of Cloud computing versus “on-premise” computing. As such the Cloud Computing is currently in the Early Adopters phase of the Technology Diffusion curve and in the case of the Gartner Hype Cycle, it has reached the Peak of Inflated Expectations.

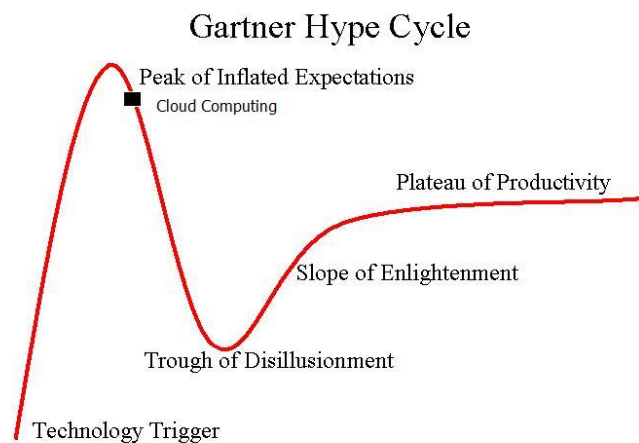


Figure 13 – Gartner Hype Cycle

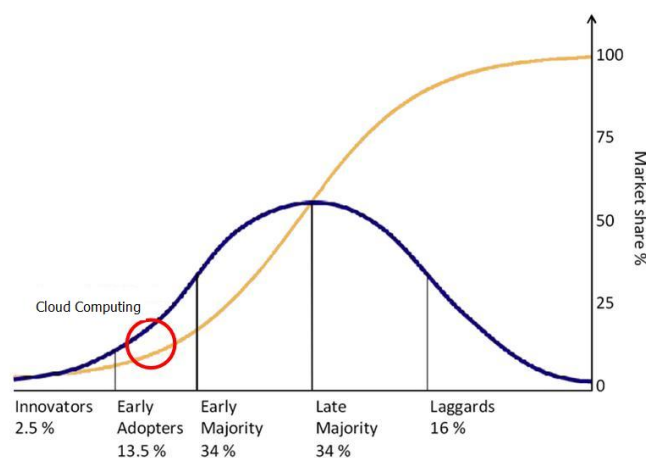


Figure 14 – Technology Diffusion Curves

10. Financial Analysis

Table 1 below details our forecasts for Expenses and Sales over the first seven years of operations. We have estimated that the initial investment required is € 3 millions and the first year of operations our sales will be € 1 million, reaching € 4.5 millions at year six. Our expenses are expected to be € 1.5 million for years 1 to 3 and € 2 millions for years 4 to 6.

For the calculations we have used a discount rate of 7%.

The main financial results and assumptions are:

- **Initial investment required € 3 million.**
- **Discount rate used 7 %**
- **Internal Rate of Return (IRR) 24 %**
- **Net Present Value (NPV) € 2,679,221.08**
- **Return on Investment (ROI) 166,67 %**
- **Breakeven point is expected at the end of Year 3**

YEAR	Expenses	Sales	Profit	Present Value of Cash Inflow
Year 0	3,000,000.00 €	0.00 €	-3,000,000.00 €	-3,000,000.00 €
Year 1	1,500,000.00 €	1,000,000.00 €	-500,000.00 €	-467,289.72 €
Year 2	1,500,000.00 €	2,500,000.00 €	1,000,000.00 €	873,438.73 €
Year 3	1,500,000.00 €	3,000,000.00 €	1,500,000.00 €	1,224,446.82 €
Year 4	2,000,000.00 €	3,500,000.00 €	1,500,000.00 €	1,144,342.82 €
Year 5	2,000,000.00 €	4,000,000.00 €	2,000,000.00 €	1,425,972.36 €
Year 6	2,000,000.00 €	4,500,000.00 €	2,500,000.00 €	1,665,855.56 €
TOTAL	13,500,000.00 €	18,500,000.00 €	5,000,000.00 €	2,866,766.56 €

Table 1 – Expenses and Sales Forecasts

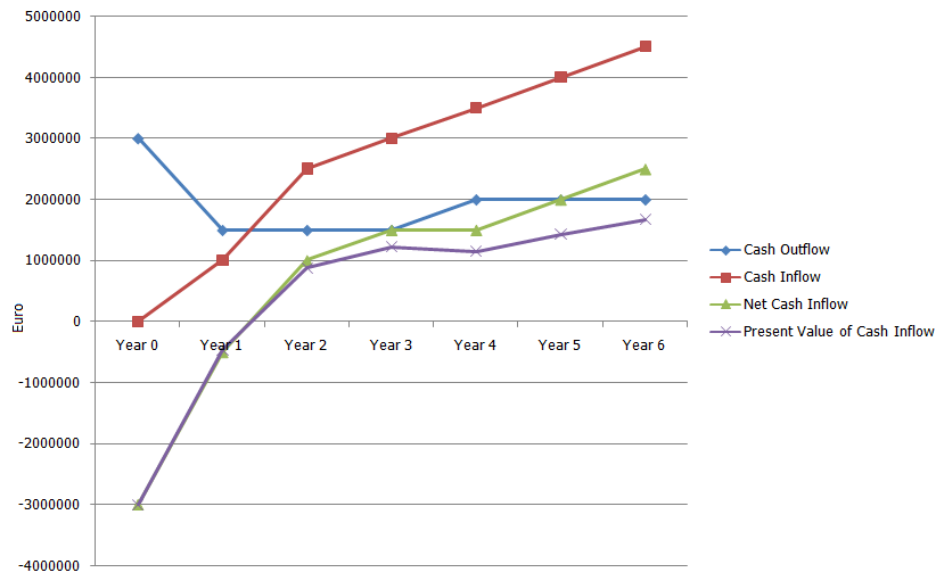


Figure 15 – Expenses and Sales Forecasts

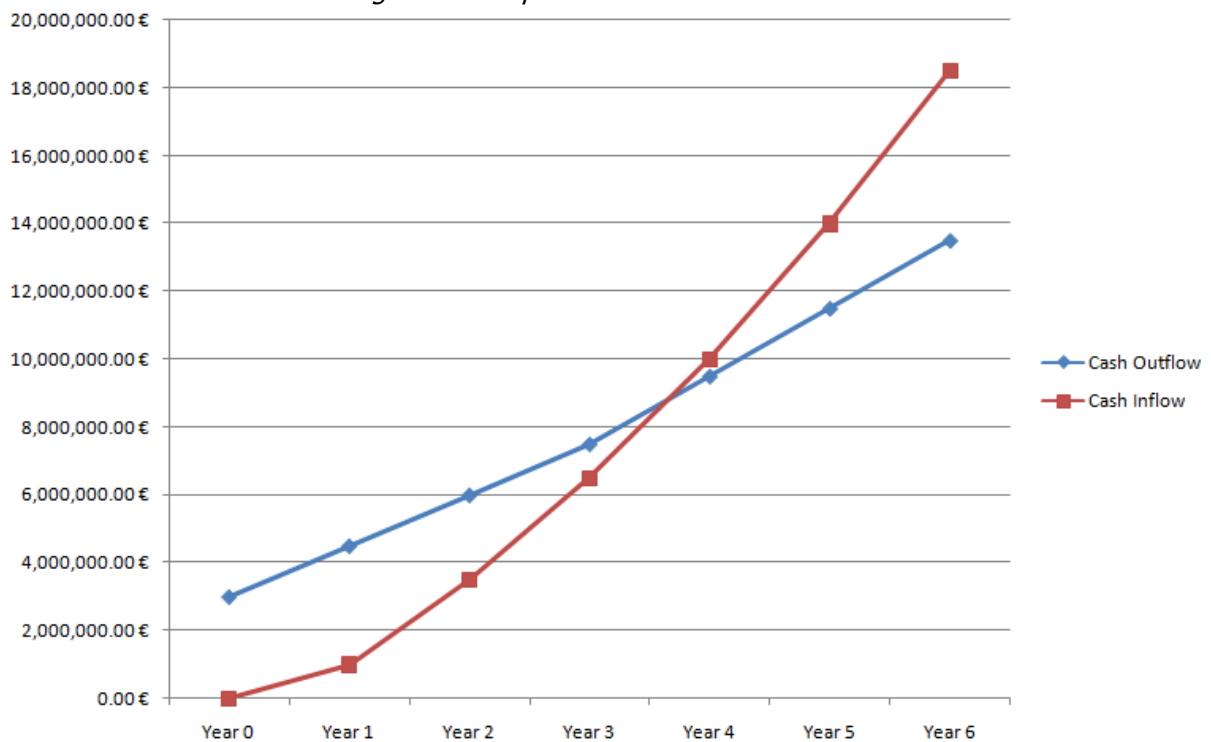


Figure 16 – Breakeven point expected at the end of Year 3

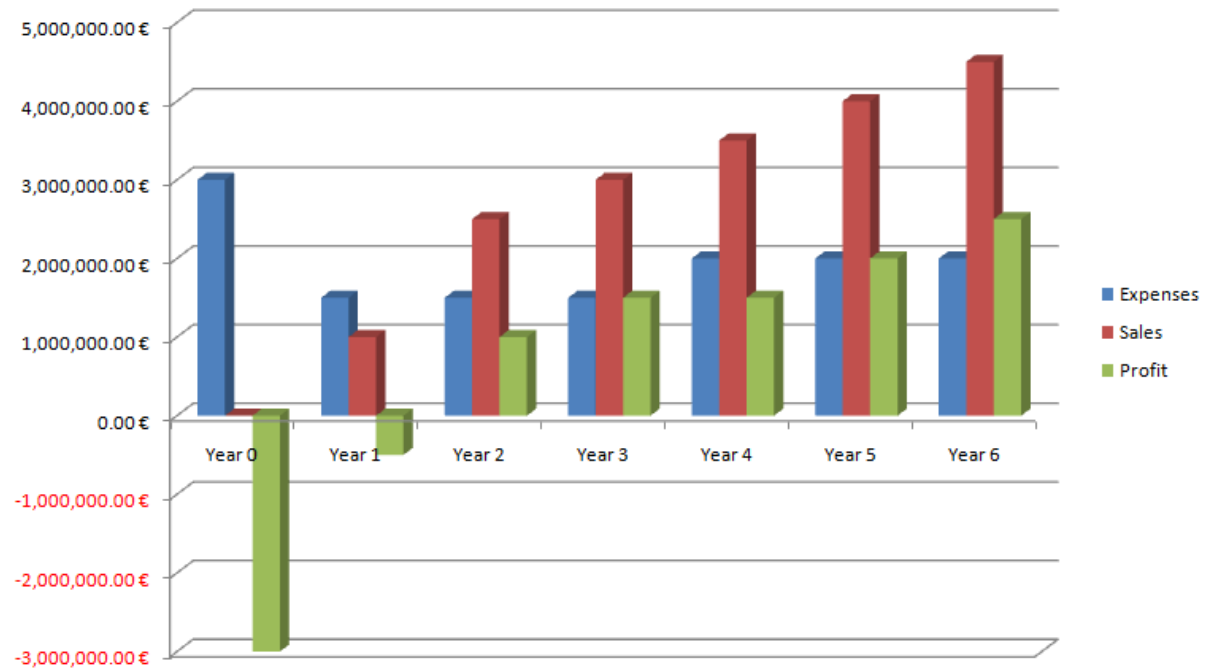


Figure 17 – Expenses, Sales and Profit Forecasts

11. Expenses breakdown

Table 2 below, details all the expenses we expect to occur in the first seven years of operations.

	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Hardware Infrastructure	€1,250,000	€250,000	€150,000	€150,000	€350,000	€350,000	€350,000
Service development	€100,000	€50,000	€50,000	€50,000	€50,000	€50,000	€50,000
Salaries	€420,000	€520,000	€620,000	€620,000	€720,000	€720,000	€720,000
Office	€130,000	€80,000	€80,000	€80,000	€80,000	€80,000	€80,000
Software licences	€800,000	€300,000	€300,000	€300,000	€500,000	€500,000	€500,000
Working capital	€100,000	€100,000	€100,000	€100,000	€100,000	€100,000	€100,000
Advertising	€100,000	€130,000	€130,000	€130,000	€130,000	€130,000	€130,000
Legal fees	€50,000	€10,000	€10,000	€10,000	€10,000	€10,000	€10,000
Other expenses	€50,000	€60,000	€60,000	€60,000	€60,000	€60,000	€60,000
Total	€3,000,000	€1,500,000	€1,500,000	€1,500,000	€2,000,000	€2,000,000	€2,000,000

Table 2 – Expenses Breakdown

12. Market Share and Pricing Policies

We are planning to offer two major Services. The basic service, which is aimed primarily to individuals, and will be priced at € 15 per month excluding VAT and the premium service which is aimed at business users, priced at € 45 per month excluding VAT.

Tables 1 and 2 below list the number of users we would require to match our sales forecasts for each service exclusively (i.e. all our users are either basic or premium service users).

Year	Number of Users
Year 1	5,556
Year 2	13,889
Year 3	16,667
Year 4	19,444
Year 5	22,222
Year 6	25,000

Table 3 – Number of Basic Service Users only

Year	Number of Users
Year 1	1,852
Year 2	4,630
Year 3	5,556
Year 4	6,481
Year 5	7,407
Year 6	8,333

Table 4 – Number of Premium Service Users only

However we believe that our user base will be 75% Premium Service Users and the remaining 25% will be Basic Service Users. Table 5 below lists the number of both services we forecast over the first six years of operations.

Year	Number of Premium Service Users	Number of Basic Service Users
Year 1	1,667	556
Year 2	4,167	1,389
Year 3	5,000	1,667
Year 4	5,833	1,944
Year 5	6,667	2,222
Year 6	7,500	2,500

Table 5 – Number of Premium and Basic Service Users

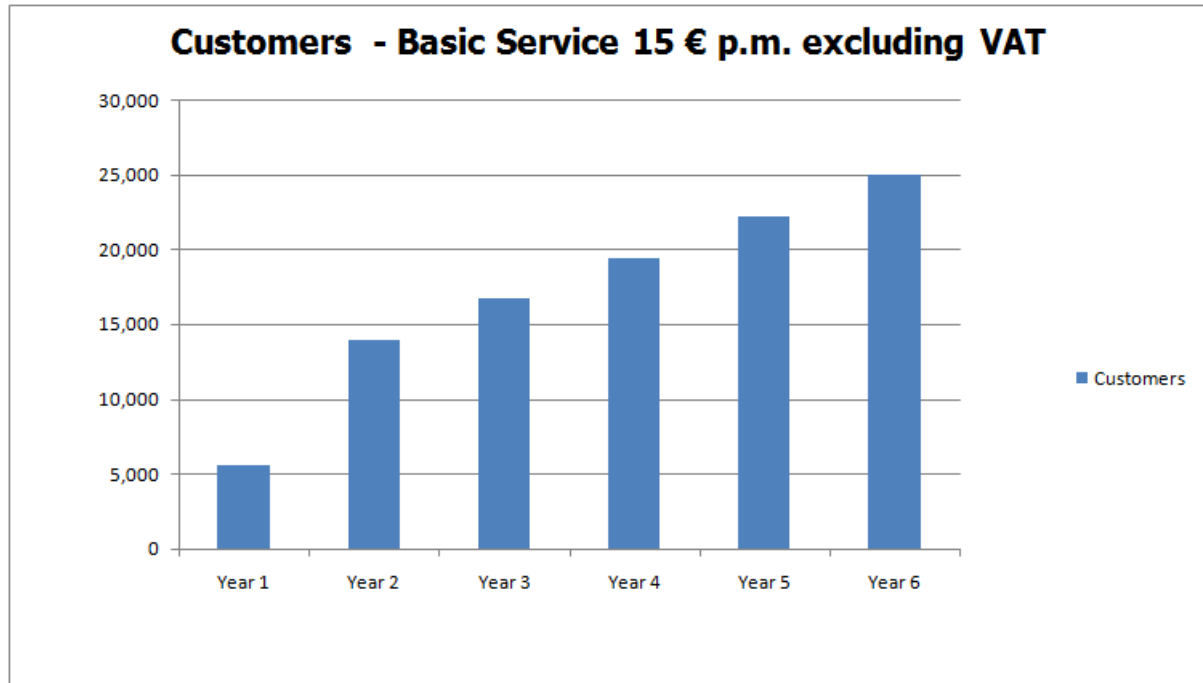


Figure 18 – Number of Basic Service Users only

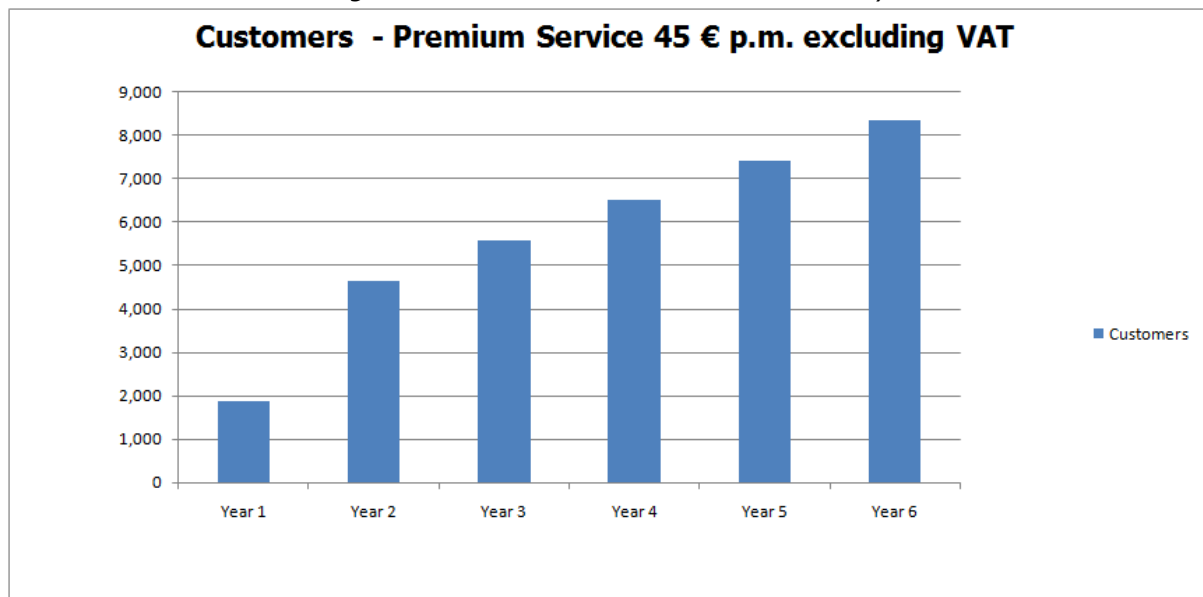


Figure 19 – Number of Premium Service Users only

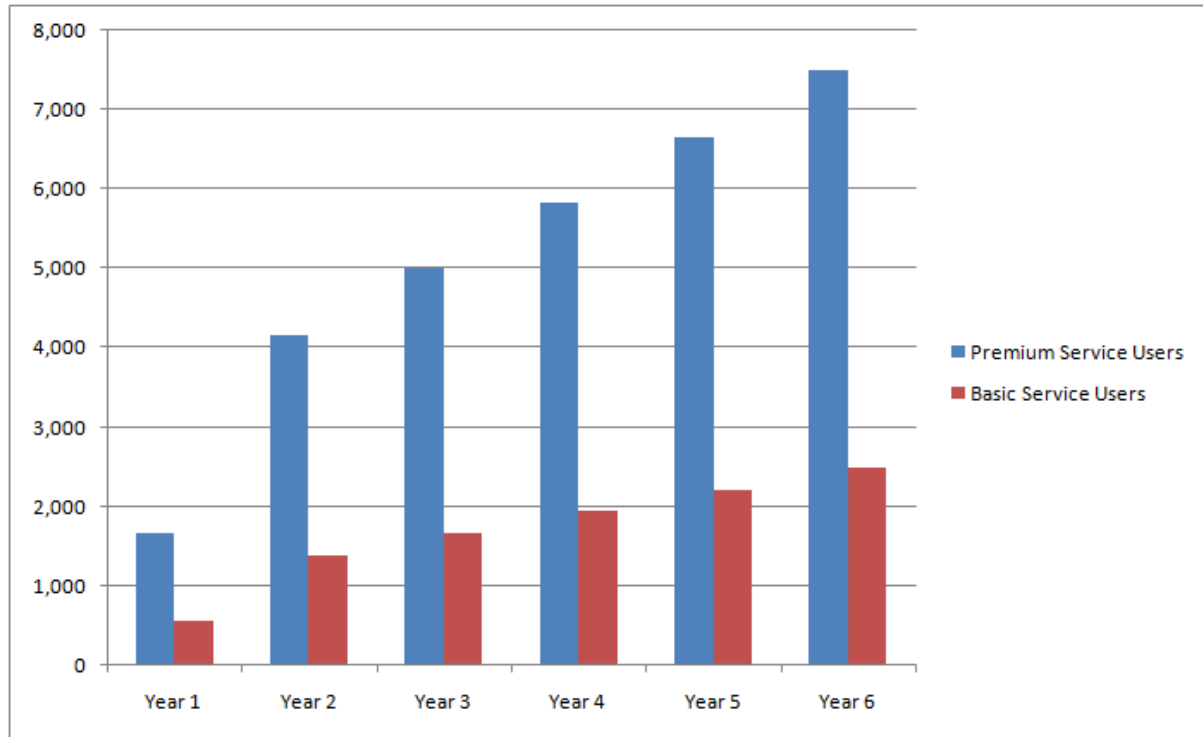


Figure 20 – Number of Premium and Basic Service Users

13. Competition

All major IT companies have entered the cloud computing and virtualization market with their own solutions. However most of these solutions are either targeting Internet start-ups or provide solution for data-storage and/or Web-hosting.

Microsoft will be offering Microsoft Office 365 in 2011 which will be an on-line version of its Office array of products.

Vesk is a UK based company that is offering a very similar service to ours, however the service is currently limited to the United Kingdom and they currently have no local presence.

In summary the competition and their services are:

Amazon Elastic Compute Cloud (EC2)

Windows Server 2003/2008, Linux, OpenSolaris

Google App Engine

Build and host Web applications using Google's infrastructure.

IBM Cloud

IBM's solution for computing and storage infrastructure.

Microsoft Office 365

Exchange Online, SharePoint Online, Lync Online and the latest version of Microsoft Office Professional Plus desktop suite.

Currently under Beta trial – Service expected to start in 2011.

Vesk

Vesk offers Virtual Remote Desktop and Virtual Server solutions. The service is currently only available in the UK with no local presence.

14. Management Team

14.1 Organisational Chart

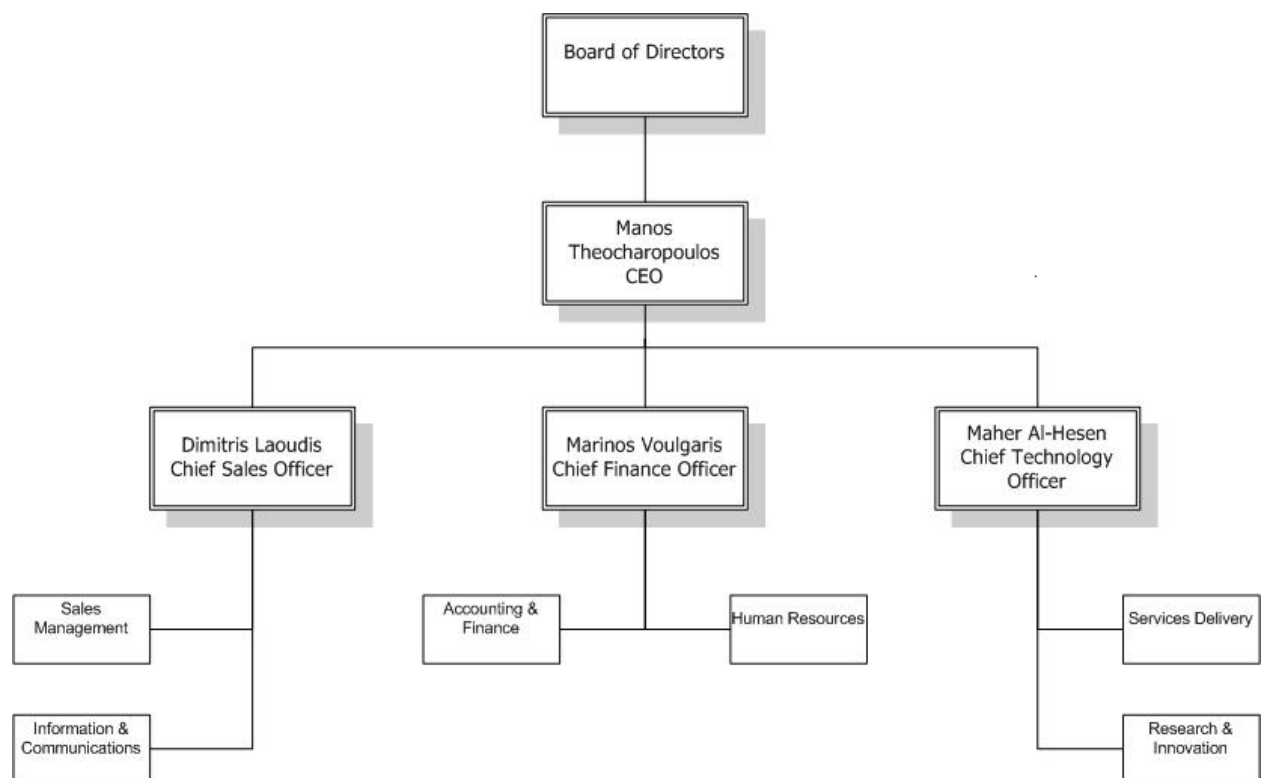


Figure 21 – Organisational Chart

14.2 Management Team CVs

Maher Al-Hesen

BSc Computer Systems

Sales Engineer at Arabian Office Automation – XEROX

4 years experience in the IT industry

Dimitris Laoudis

BA Economics

MSc Marketing

MSc Construction Economics and Management

General Manager at S.L. s.a. Tourist Enterprises and Public Relations

7 years experience in marketing and finance

Manos Theocharopoulos

BEng Electronic Engineering

Postgraduate Diploma Telecommunications Technology

Senior Software Engineer at Intrisoft International

12 years experience in the software and IT industry

Marinos Voulgaris

BSc Marketing Management

MBA Marketing Communication Management

Account Manager at OTE

6 years experience in sales and marketing