

Ukraine

Investment Memorandum

of the investment project "Creation of innovative production of functional juices and juice drinks enriched with soluble dietary fiber"

Project goal: Organization of innovative production of natural functional juice drinks based on our own technological developments using soluble dietary fiber (pectin and inulin), beta-carotene and a vitamin complex to form healthy food products.

Main idea of the project: Creation of competitive production of new generation functional drinks without the use of preservatives, flavor enhancers and synthetic dyes with high biological and nutritional value.

The initiator of the business project of SPE "Polymer" LLC;

Contact person:

Director Poberezhny Vitalii Tymofiyovych

Phone +38 067 354 23 89;

e-mail vital.63@ukr.net



1. The purpose and essence of the project.

The investment project involves the creation of a high-tech production of a functional juice drink "PektIno" — a ready-to-drink natural drink enriched with soluble dietary fiber. The product is manufactured on the basis of innovative technologies for processing plant raw materials, which ensure the effective extraction and preservation of natural biologically active components. The basis of the drink is formed by apples — a natural source of pectin, carrots — a source of β -carotene, chicory root — a source of inulin (a natural prebiotic), as well as table beets, which contain antioxidant compounds. The combination of these ingredients allows you to create a drink with high functional value, rich natural color, distinct aroma and balanced taste. The drink can be additionally enriched with extracts of medicinal plants, flowers or berries, which expands its health-improving properties and taste palette. "PektIno" — is tasty and healthy.

table No. 1.1. Basic technical parameters.

Description of the parameter	Value of the indicator
Nominal production capacity:	
Production of freshly squeezed apple juice - "Pectino" smoothie in packaging (back in box) capacity:	
- 3 liters.	300 000 pack. per year
- 5. liters.	100 000 pack. per year
Production of juices - "Pectino" smoothies with a health-improving effect in aseptic Tetra Pak-type cardboard packaging capacity:	
- 0,33 liters.	8 000 000 pack. per year.
- 0,2 liters.	5 000 000 pack. per year
Production of tomato juice "Pectino" in packaging (back, etc. box) with a capacity of 2 liters.	50 000 pack. per year
Production of juices - smoothies "Pectino" in packaging (back, etc. box) with a capacity of 2. Liters.	100 000 pack. per year
Mode of operation:	
Hours per day:	24
Shift per day:	3
Working Sunday days:	7
Number of working days per year:	240
Total number of working days in a year.	7200
The total number of full-time personnel after the introduction of all production capacities.	36
Total area of production and warehouse premises: m2	1 370
Area of production premises, m2.	870
Area of warehouse and auxiliary premises, m2	500

The mode of operation of the plant is justified by the possibility of year-round supply of raw materials.

2. Main financial and economic indicators of the project.

Table No. 2.1. Summary table of the main indicators of the investment project.

Indicator	The value of the indicator
The period of operation of the investment project (calculation period).	5 year
Net need to finance the project.	1 639 035 EUR
Earnings before depreciation, interest and taxes (EBITDA)	9 890 330 EUR
Net Profit	6 581 720 EUR
Net cash flow	8 445 225 EUR

Table No. 2.2. Operational plan indicators.

The name of the indicator	Year one thousand euros	Year two thousand euros	Year three thousand euros	Year four thousand euros	Year five thousand euros	A total of one thousand euros
Revenue (excluding VAT)	2 271,0	4 471,0	4 471,0	4 471,0	4 471,0	20 155,0
All expenses (without depreciation)	1361,5	2 226,28	2 225,63	2 225,63	2 225,63	10 264,67
EBITDA (profit before taxes, interest, depreciation)	909,5	2 244,72	2 245,37	2 245,37	2 245,37	9 890,33
Amortization	239,0	312,0	312,0	312,0	312,0	1 487,0
EBIT (earnings before taxes, interest)	670,5	1 932,72	1 933,37	1 933,37	1 933,37	8 403,33
Loan interest.	30,0	40,0	30,0	20,0	10,0	130,0
Payroll tax (EUW 22%)	37,09	52,44	52,44	52,44	52,44	246,85
EBT (earnings before income tax)	603,41	1 840,28	1 850,93	1 860,93	1 870,93	8 026,48
Income tax - 18%	108,61	331,25	333,16	334,97	336,77	1 444,76
Net Profit	494,8	1 509,03	1 517,77	1 525,96	1 534,16	6 581,72
Net cash flow	1 531,665	1 371,09	1 837,49	1 847,49	1 857,49	8 445,225
Cash balance at the end of the period	1 531,665	2 902,755	4 740,245	6 587,735	8 445,225	
Direct investment in equity capital.	386,800	456,5				1 233,3
Loan	795,735					

Table No. 2.3. Budget payments.

The name of the indicator	Year one thousand euros	Year two thousand euros	Year three thousand euros	Year four thousand euros	Year five thousand euros	A total of one thousand euros
Payment of VAT in the budget	222,87	571,52	571,62	571,62	571,62	2 509,25
Payment of income tax to the budget	108,61	331,25	333,16	334,98	336,77	1 444,78
Paying the payroll tax (SEP) to the budget	37,09	52,44	52,44	52,44	52,44	246,85
Together	366,57	955,21	957,22	959,04	960,83	4 200,88

3. Efficiency of the investment project.

Table No. 3.1. Output data for scenario analysis (deviations from the base scenario).

№	Modifiable parameter	Unit. ex.	Pessimistic scenario	Optimistic scenario
1	Change in prices for raw materials and energy carriers	EUR	15%	-15%
2	Change in sales prices	EUR	-15%	15%
3	Change in sales volumes.	EUR	-15%	15%

Table No. 3.2. Summary report of scenario analysis by project performance indicators.

Financial indicator	Basic scenario (euro)	Pessimistic scenario (euro)	Optimistic scenario (euro)
Net profit;	6 581 720	3 886 950	8 802 000
NCF (Net Cash Flow) .	8 445 225	6 502,75	9 832 500
Return on Investments (ROI) %	48,5%	34,1%	61,3%

Table No. 3.3. Results of the sensitivity analysis on the Net profit parameter. Parameter change step 10.00%

Аргумент	-30%	-20%	-10%	0%	10%	20%	30%
Change in the volume of product sales from the base indicator, EUR	4 213 360	5 030 180	5 846 990	6 581 720	7 480 620	8 297 430	9 114 260
Change in product prices from the base indicator, EUR	1 418 600	3 071 310	4 724 020	6 581 720	8 029 440	9 682 140	11 334 850
Change in prices for raw materials and materials from the base indicator, EUR	8 653 940	7 908 620	7 245,240	6 581 720	5 917 480	5 255 130	4 591 750
Change of FOP (labour fund) basic indicator, EUR	7 008 820	6 893 870	6 778 810	6 581 720	6 548 810	6 434 260	6 318 800

Table No. 3.4. Performance indicators of the investment project.

Indicator name	Value
Life term of investment project.	5 year
NCF (Net Cash Flow).	8 445 225 EUR
NPV (Net Profit).	6 581 720 EUR
Return on Investments (ROI)	48,5%

Table No. 3.5. Investment costs and the need for financing.

Description of the parameter	EUR
The net need for project financing, including:	1 639 035
financing the purchase of fixed assets	1 489 035
working capital financing	100 000
insurance fund	50 000
General funding requirements:	1 639 035

Table No. 3.6. Sources of funding

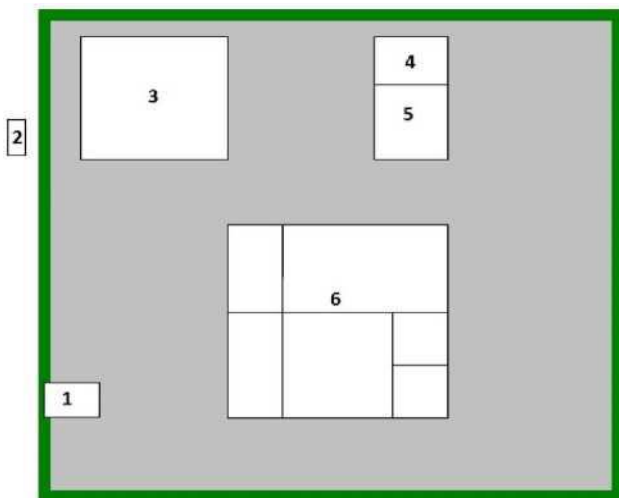
Sources of funding	Amount, EUR	% of the total amount
Contribution of a private investor (business angel)	386 800	23,6%
Loan (bank loan, leasing)	795 735	48,5 %
At the expense of the company's profit.	456 500	27,9%
TOTAL	1 639 035	100%

This financial model provides for three stages of financing:

- 1. The SEED stage.** It involves the involvement of a private investor (business angel) with a contribution to the statutory fund of the enterprise in the amount of EUR 386.8 thousand. In exchange for a 49% stake in the authorized capital of the company.
- 2. Stage A.** Attracting loan capital in the form of a five-year long-term loan for a total of 795.7 thousand euros through cooperation with credit unions, banks and leasing companies secured by the company's property.
- 3. Stage B.** Purchase of additional technological equipment to expand the range of products for the total amount of 456.5 thousand euros at the expense of the company's profit.

4. The starting platform of the project initiator.

At the moment, there are the following developments and resources for the implementation of the project:



1. Pass-through (in use).
2. Transformer substation (in operation).
3. A warehouse for raw materials with a plan size of 18x15x4.5 m. (design documentation has been developed and construction has begun).
4. Garages with a plan size of 9x10x3.8 m (design documentation has been developed and construction has begun).
5. Locksmith's workshop with a plan size of 6x10x3.8 m. (design documentation has been developed and construction has begun).
6. The production building for the production of pectin-containing drinks with a plan size of 24x30x6

m (in operation).

Received patent for utility model No. 134786 "Healthy non-alcoholic juice drink".

The starting capital of the project initiator is 400,000 euros.

5. Offer to the investor.

Table No. 5.1. Offer to investors.

Parameter	Transcript
The planning period	5 year.
Form of ownership	Limited liability company.
Form of investment	Direct investment (contribution to the statutory fund).
Legal consolidation of investors' rights.	Conclusion of the founding agreement and registration of the investor as a co-founder in the LLC.
Ownership structure after investment	49% - investor, 51% - initiator.
Participant contributions	The investor finances the project in the amount of EUR 386,800 and receives a 49% stake in the authorized capital. The initiator with a professional team of experienced specialists consisting of a manager, technologist, marketer, engineer, economist and lawyer provides a business idea, know-how, a patent for a useful model, a developed business plan, land, buildings and structures with communications. The starting capital of the project initiator is EUR 400,000 and its share in the authorized capital is 51%.
Dividend policy	Payment of dividends quarterly or according to another agreed schedule in the proportion of 51/49%

6. Functional drinks market in Ukraine

The Ukrainian market for functional drinks is in its infancy, but is showing gradual growth along with the development of the healthy food segment.

Key market characteristics:

- growing demand for natural juices;
- popularity of products without preservatives and artificial additives;
- emergence of smoothies, detox drinks and functional juices;
- development of the organic products segment.

The largest juice producers in Ukraine:

- Sandora (PepsiCo)
- Vitmark (Jaffa, Nash Sik)
- Galicia
- Biola

However, most of the products on the market are represented by:

- juices
- nectars
- drinks with vitamins.

The segment of juice drinks with soluble fiber is practically absent, which creates a market niche for innovative products.

7. Assessment of business experience. A team of managers and key specialists.

The initiator of the project is Polymer LLC, represented by Poberezhny Vitaly Timofiovych, the director, with two leading specialists with additional competencies, who are close relatives of the project initiator, with the subsequent involvement of other family members in the project, which gives the right to call the project a family affair.

Poberezhny Vitalii Tymofiyovych.

Place of residence: Khmelnytskyi region, Nova Ushytsia.

Field of activity: Management of food industry enterprises.

Education is higher.

Novoushytsk Technical School of Agricultural Mechanization

Specialty: mechanic technician.

Faculty of Law of the Odesa State University named after I.I. Mechnikova.

Specialty: jurist.

Work experience:

LLC "NVP Polymer" - director from 01.01.1995 to the present.

Organization of production of plastic products on CNC foundry machines.

Organization of production of PETF bottles on blowing machines.

Organization of bottling of non-alcoholic carbonated drinks.

Organization of production of bakery products.

Organization of sunflower oil production.

Key skills.

Knowledge of languages: English.

Computer skills: at user level.

Personal qualities: purposefulness, responsibility and decency.

The planned position in the company is director:

- project management in the pre-investment and investment phases,
- the technical director for the management of the technological processes of the production of health drinks in the operational phase of the project before reaching the design capacity.

Oleksandr Vitaliyovych Poberezhny

Place of residence: Khmelnytskyi

Field of activity: jurisprudence

Education is higher.

Khmelnytskyi University of Management and Law.

Specialty: jurist.

Bachelor's, specialist's and master's degrees with honors.

The planned position in the company is a legal consultant, head of the legal department.

(business correspondence, claims work, representation of the company's interests in courts and state bodies, legal support for inspections, preparation and transfer of claims to counterparties, organization of product certification according to the ISO 9001 system, legal support for obtaining patents by the company).

Work experience as a legal advisor, head of the legal department:

- State management of land resources in Khmelnytskyi region (field of activity - land law, state submission to courts of various instances of land legislation).
- SE "Khmelnytskstandartmetrologiya" (field of activity - standardization, metrology and certification)
- "Yasen Podillya" LLC - a commercial enterprise for the production and sale of furniture.

Key skills.

Knowledge of languages: English.

Computer skills: at the user level.

Personal qualities: purposefulness, responsibility and punctuality.

Bohdan Oleksandrovich Moskovchuk

Place of residence: Khmelnytskyi;

Field of activity: marketing.

Education: higher.

Faculty of Economics, Khmelnytskyi National University

Specialty: accounting and auditing.

Degree of qualification: specialist.

Planned position in the company: marketer, head of the sales department.

(development and registration of a trademark and company slogan, management of product advertising, organization of product sales in the Khmelnytskyi region, organization of a distribution network in regional regions of Ukraine, control of the work of distributors).

Work experience:

- employee in various commercial banks in Khmelnytskyi.

Position. Cashier - controller, credit department specialist.

- a private entrepreneur in the placement of advertisements and organization of green tourism.

- sales representative of "KM Media Publishing House" for the sale of printed polygraphic products in the Khmelnytskyi region.

- regional IT representative of the "Plus1s" Company for the implementation and installation of computer training programs in the western region of Ukraine (Khmelnytskyi, Vinnytsia, Chernivtsi, Ternopil, Lviv, and other regions).

Responsibilities: Eight sales offices under supervision. Selection and formation of a team from scratch, creation of a client base, coordination and control, advertising, logistics, sales analysis.

Key skills.

Knowledge of languages: English.

Computer skills: at user level.

Personal qualities: purposefulness, responsibility and sociability.

8. Additional information.

Negotiations were conducted and contracts were prepared with all suppliers of equipment and raw materials.

There is a detailed business plan developed in accordance with UNIDO recommendations.

Alternative investment terms acceptable to the parties may be developed in negotiations with the investor.