

# **Water Co**

## **Strategy 2021-2030**

### **Capstone Project Report**

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## **I. Company “Water Co”**

### **1. Short intro: mission, vision, goal, value chain**

**Company “Water Co”** – is one of the largest national producers of bottled water and beverages w/o artificial sweeteners and sugar (hereinafter as “Water Co” or “Company”). Its products were presented on the market by the “Water” brand. “Water” – is marketing-driven company.

The company has many years of experience in the production and marketing of brands of natural mineral waters. The company offers consumers of different ages and income levels natural, unique, high-quality mineral water that provide health and well-being day after day.

Water is extracted from 12 production wells and bottled at a plant. Water gets to the surface of the earth from a depth of 8-10 km, pushing it out with natural carbon dioxide. Standing out from the magma layer, water under the influence of gases of volcanic origin, rising through the rocks, partially dissolves and saturates them with minerals, mixes with groundwater and comes out to the surface in the form of sources.

We do not stop on what we have. Transformation into a world-class innovative company leveraging advanced technology and the best human resources. Differentiating as a global leader in highly mineralized water. Development of a portfolio of functional drinks.

**Company’s mission** – is to promote healthy lifestyle through providing variety of healthy drinking alternatives to every customer.

**Company’s vision** – we have become a multi-product company, a leader and expert in the production of natural mineral waters. We strive to strengthen our leadership in the markets of the countries in which we operate.

**Company’s goal** - new innovative products: flavored drinks based on mineral water and functional water with electrolytes, antioxidants, protein, flavors and other additives.

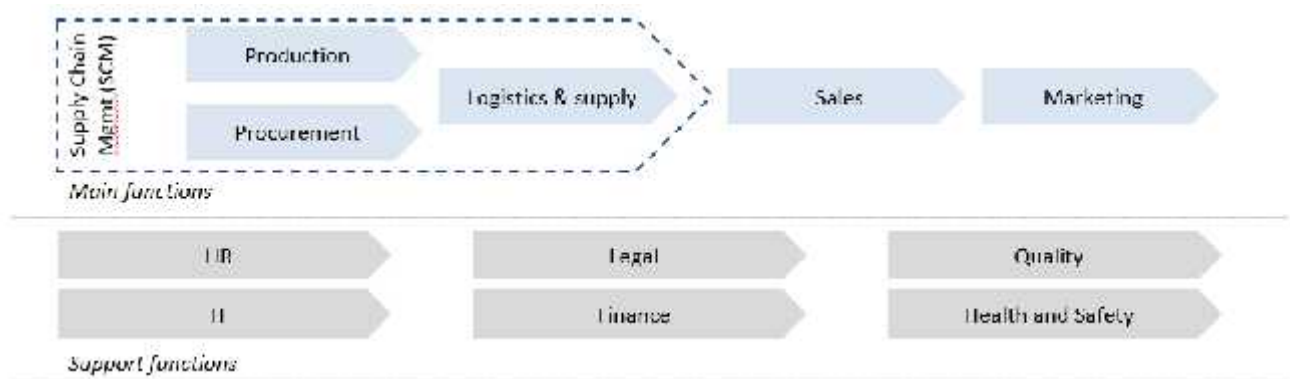
**Company’s standards**

- ) Protection and development of natural mineral water sources
- ) Quality
- ) Efficiency
- ) Speed of decision making
- ) Discipline of execution
- ) Preserving and developing the best people

### Company's values

- ) Honesty
- ) Willingness to accept criticism and learn
- ) Sequence

**Company's value chain** may be described as follows:



Picture 1.1.: Water Co value chain

The Company already has a good quality production and procurement system, and team of great professionals (sales managers; marketing; HR; IT; Finance and Legal) for achievements of its goals.

Experienced staff who use modern approaches in the production's organization. To provide consumers with quality original products, the Company has a common quality control system that covers all parts - from sources to consumers. It all starts with monitoring the quality of water in the sources, the current control of production. After that, internal and state certification of finished products, logistic' support of Ukrainian branches that includes the quality management system, as well as constant control of products on the shelves of outlets to avoid the possible appearance of counterfeits.

The production process is modern automated lines that meet international food safety and quality control standards.

Company has its own production facilities, sophisticated supply network, strong sales and marketing departments. Company developed its own supportive functions such as finance function, IT, HR and other.

Company has just finished centralization of several main and supportive functions and is pursuing further development of its own business analysis capabilities.

Water Co creates unique products of mineral and drinking water with the following variety: Still, Lightly carbonated, carbonated.

## **2. Problem statement**

The two main problems, with which the Company is facing now are:

) Product itself becomes cheaper due to the market's competition.

As to the market enter new players with the same products, but their price to such products is much cheaper because of its quality, the demand for good quality products decreases, because there are many customers who are more interested in price than in quality.

Therefore, in order not to lose production volumes, but at the same time not reach the same level of cheap products, the Company decided to increase the range of its product.

) PET plastics - material in which water is packaged.

Ecological way of life is a new fashion trend. In 1950, the factories produced 2 million tons of plastic, in 2015 - 380 million tons. Less than a third of everything made - is still in use, and only 9 % - went to recycling, 12 % - to safe incineration, and 79% to landfills. This is the data of one of the most complete studies on the production and distribution of plastics as of 2017.<sup>1</sup>

So, this problem could be solved with the help of packaging to: aluminum cans, glass, recycled plastic (rPET), paper

Water Co is planning to expand the product portfolio and produce the following new products:

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<sup>1</sup> <https://advances.sciencemag.org/content/3/7/e1700782>

- ) Beverages with different flavors. For example, drinks with the flavor of green or black tea
- ) Functional beverages. For example, drinks which could give you more energy: caffeine or guarana drinks

This portfolio will work as it was made benchmarking per capita consumption analysis and we can see that in our neighboring countries such as Poland, Hungary, Romania is consumed about 200+ liters of non-alcoholic drinks per capita. In contrast, in Ukraine is consumed only 100 liters of non-alcoholic drinks per capita.

Control - Water Co				
Market Setting				
Target PCC Input:				
	2019	2030	2019	2019
Benchmarking Year:	2019		2019	2019
	Ukraine		Poland	Hungary
			Romania	Italy
Total bottled water from NAB:	57%	71%	55%	57%
and from total bottled water	1%	13%	12%	1%
Total Non-Alcoholic Beverages	liters p.c.	105	145	205
			238	198
			210	

Table 1.1.: NAB market benchmarking: Ukraine vs European Countries

There are not so many professional agencies on the market and their price is high. We are dependent on market data.

Thus, we see that due to the expansion of the portfolio's products in 2030 in Ukraine the consumption of non-alcoholic drinks will be increased to 145 liters per capita.

That is why, the product's portfolio increasing will be decision of solving stated above problems.

Company Water Co works in bottled water segment of non-alcoholic beverages (NAB) market. Company achieved high market shares in still bottled water and carb bottled water sub-segments due to its high-quality product portfolio, marketing activities and strong sales force. Getting the ceiling in terms of market shares as well as Current COVID situation - significantly slows Water Co growth rates.

Moreover, strategic analysis shows that recent water "commoditization" (e.g. water price reducing, lowering value proposition to customers) as well as anti-PET activities, bring Company to the edge of the beginning of lowering operating margins year-over-year.

This year Water Co seeks ways to grow further with appropriate level of operating margins. Company sees its salvation in diversification of its product portfolio, thus developing new products. Water Co needs to evaluate its ambitions on 10 years' horizon.

Robust yet simple financial model should be developed for this case. Model should clearly indicate:

- ) General Ukrainian NAB-market projections
- ) Selection of possible market segments for Water Co
- ) Market share expectations for Water Co, thus product portfolio extensions for Water Co
- ) Clear evidence of possibility of CAPEX financing, NPV and payback of incremental CAPEX
- ) OPEX structural increase should be considered to enable product portfolio diversification
- ) Profitability of Water Co portfolio
- ) Financial outputs: PL, CF (including debt and dividends policies), BS
- ) Risks and sensitivity analysis for the case

Thus, new products will let to solve operation margins and EBITDA growth problems that are coming out of commoditization threat. New products are not intended to solve packaging problems - to solve PET threat there is a need in Sustainability strategy development.

E-commerce possibly interesting solution if developed in-house. Otherwise - Rozetka and others similar Ukrainian online stores and marketplaces - are just electronic examples of MT-channel with the same financial implications to Water Co margins. In-house E-commerce needs to be assessed vs cost of delivery to the clients.

The urgency of solving the problem is obvious, as the exact definition of financial condition gives an adequate idea of the situation, in which direction to move and what actions need to be taken in order to ensure Company's future development.

## II. Water Co analysis

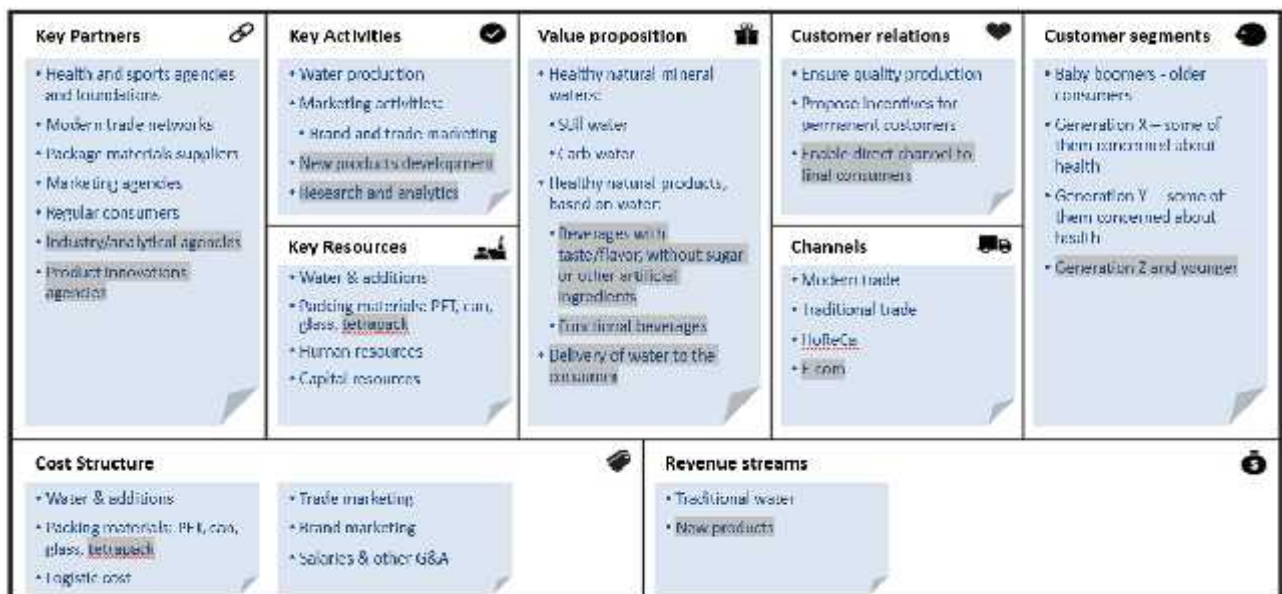
### 1. Water Co Business model canvas: deeper analysis

Business Model Canvas is a strategic management template used for documenting existing business.<sup>2</sup>

Based on the company's strategy, business models of processes are formed, which are necessary to achieve global goals in the future. A business model is a formalized description of an investigated phenomenon, event, object or element. The process of business modeling involves the development and implementation of certain principles of the company, in order to optimize it.

The business model of the Water Co company defines the basic concepts and objects that make up the content of the producer of natural mineral water, as well as the relationship between them.

The business idea is new product development: drinks with different flavors and functional drinks and to increase Company's income. We assume we need two-three products solutions per each segment identified in market assessment We need to build new NPD function for implementation our ideas.



Picture 2.1.: Water Co Business model canvas

<sup>2</sup> [https://en.wikipedia.org/wiki/Business\\_Model\\_Canvas](https://en.wikipedia.org/wiki/Business_Model_Canvas)



For increasing our income, we decided to develop new products without sugar or other artificial ingredients.

We will proceed to use as traditional trade, so as modern trade<sup>3</sup>. Our product will be spread-out through distribution of network of retailers, wholesalers, small retailers. This kind of trade is used as we have enough product in our warehouses.

Modern trade is more planned approach for distribution of our product and here we need to include our logistic managers. This type of trade is included such customer as hypermarkets, supermarkets, the bigger clients then in traditional trade.

Nowadays in Covid times such type of trade as in-house e-commerce selling becomes more and more popular, so we also provide e-commerce trade of our products.

## **2. 5 Forces Analysis: Water Co context**

Porter Five Forces that Determine Industry Structure.

Five Forces analysis is frequently used to identify an industry's structure to determine corporate strategy.<sup>4</sup>

Porter's Five Forces analysis was enabled to understand the competitive strength and position of a business organization.<sup>5</sup> With the help of five forces analysis we can understand where the main force of our type of business and our current and potential competitive position is.

The five forces that determine the industry structure of organization are the following:<sup>6</sup>

### **Buyers' power – high**

Buyers, we can divide them into two groups:

- ) resellers and
- ) final consumers

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<sup>3</sup> <https://loginextsolutions.com/blog/modern-trade-vs-traditional-trade-a-logistics-management-overview/>

<sup>4</sup> <https://www.investopedia.com/terms/p/porter.asp>

<sup>5</sup> <https://www.cgma.org/resources/tools/essential-tools/porters-five-forces.html>

<sup>6</sup> <https://www.myliteguide.com/myeliteguide/samples/SAMPLEINDUSTRYANALYSISREPORT.pdf>

Both have many suppliers to choose from in this industry.

Resellers - some of them make sales through the main Company, the other part of them through the big supermarkets (outlets). Resellers usually want to have discounts.

Final consumers – consumers like to buy accessible product; healthy product and convenient packing of such product. Final consumers pay attention to the packaging and some of them (generation Z and younger) would like to have eco package.

Thus, bargaining power of buyers in our business are the following:

- ) No concentrated power of buyers
- ) Evidence of strong influence of ecological group against PET
- ) Youngers – really concerned about footprint of the products on Earth

As nowadays, became very popular to produce eco-friendly product – we have to concentrate on ecological group against PET.

There are not so many skilled work-force. Situation is not good due to possibility to move to EU for a job.

### **Supplier power for this business is medium-high in general**

The bargaining power of suppliers for our Water Co we can valuate as follows:

- ) Package suppliers – medium impact
- ) Logistics – medium impact
- ) Capital suppliers – medium impact
- ) Marketing agencies – high impact
- ) Human capital – high impact

Marketing has quite big impact to the whole business industry and for Water Co it is not an exclusion.

Limited number of equipment manufacturers; filtration equipment manufacturers

High prices for transportation – influence on the total product's price

There are not so many professional agencies on the market and their price is high. We are dependent on market data.

### **Competitors – very high**

Competitors with low prices can lead to low switching costs.

Market growth rate of other non-alcohol drink, including beverage drinks.

### **Threat of substitutes – high**

Thread of substitutes:

Water – is basic product, thus low thread of substitutes.

But if we consider water as non-alcoholic drink - here comes much more of substitutes, for example:

- ) substitutes in the form of carbonated drinks and fruit juices.
- ) such non-alcohol drinks as: tea, coffee, milk and alcohol can be considered as standard substitutes.

Strong thread of commoditization (the process of transforming a product from a unique and elite product into a public product) of Water Co products. Nowadays there are machines with water near almost every building, where water can be bought for pennies, thus there is a lowering value of Water Co. products.

We have plan how to come out from commoditization: we have a strong brand already and, in the future, we offer new products.

### **Threat of new entrants - close to high**

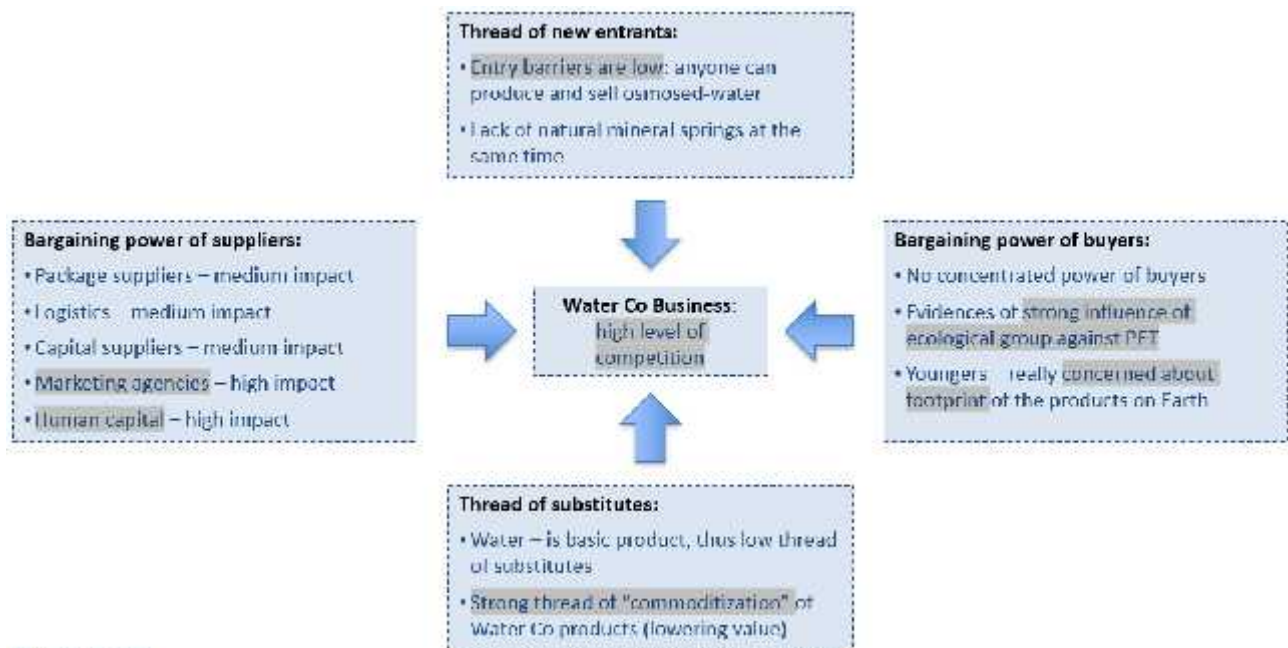
Thread of new entrants that can be applied to Water Co:

It is not too expensive to enter the water production market in Ukraine. So, entry barriers are low: anyone can produce and sell osmosed water. But in our case new entrants have less power on the market due to the brand name of current players.

But at the same time here is a lack of natural mineral springs.

High industry growth – lead to new entrants

Currently it is produced a generic bottled water product. Further it will be differentiation of this product.



Picture 2.2.: 5 Forces analysis

### 3. PESTEL

PESTEL model that covers Political, Economic, Social, Technological, Environmental, and Legal factors is used to analyze the macro-environmental factors that may have a profound impact on an organization's performance. As Water Co is aimed at launching a new product portfolio, the factors influencing trade have been considered as the most crucial.

**Political** factors that influence Water Co product

In general, the political situation in Ukraine cannot not influence to the companies. Moreover, it has both indirect and direct impact, but still such impact is average. The indirect impact is that, due to the deterioration of the economic situation in the country, the consumer's condition has worsened - his\her purchasing power has decreased. The direct impact - expressed in the emerging instability and uncertainty especially in Covid times. The instability of the exchange rate of the national currency causes losses in the sale of goods. Political factors impact any business in the country, that is why political factor is not ranked high for Water Co. Labor policies – could have high impact.

## **Economic factors**

Ukraine with a population of 41.5 million and an area of about 603 thousand sq.km is a large country on the European continent. It has an ideal geographical location in the heart of Europe with the possibility of connecting with both the West and the East through the developed transportation system.

The war with Russia, which began in 2014, posed a threat to Ukraine's economic stability. Due to the war with the largest trading partner and disconnection from the largest productive industrial facilities located in the east, Ukraine was on the edge of economic collapse.

Although GDP growth resumed in 2016-2017, this positive signal was quite moderate due to the incompleteness of the structural reform program and the adverse effects of the conflict in the east.

Covid-19 crisis influenced negatively on the economy and real GDP fell by 4.4% in 2020 as a result of global Covid-related shocks and following slower industrial growth recorded in 2019. NBU is expecting Ukraine's economy to bounce back growth of 4.2% in 2021<sup>7</sup>. IMF expects 3% GDP growth in 2021<sup>8</sup>.

According to the IMF nominal GDP of Ukraine in 2020 is USD 142.25 bln, GDP per capita in current price is USD 3.42 k (-6.5% to 2019)<sup>9</sup>.

Real GDP in 2020 will amount to UAH 4.079 trillion compared to UAH 3.975 trillion in 2019, in 2021 this figure is projected at UAH 4.58 trillion<sup>10</sup>. According to the IMF nominal GDP 2020 is USD 142.25 bln, GDP per capita in current price is USD 3.42 k (-6.5% to 2019).

Consumer inflation (eop) - 5% (2020)<sup>11</sup>, 5.8% expected in 2021 by IMF<sup>12</sup>.

The current account (CA) balance demonstrated surplus in 10m 2020 and amounts USD 5.1 bln, resulting from a relatively stable goods export and a decrease in imports due to global energy prices decline. 2020 CA surplus is expected to reach 2.9% of GDP (per NBU) as imports decline more than exports<sup>13</sup>.

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<sup>7</sup> National Bank of Ukraine

<sup>8</sup> <https://www.imf.org/en/Countries/UKR>

<sup>9</sup> <https://www.imf.org/en/Countries/UKR>

<sup>10</sup> National Bank of Ukraine

<sup>11</sup> <https://index.minfin.com.ua/ua/economy/index/inflation/>

<sup>12</sup> <https://www.imf.org/en/Countries/UKR>

<sup>13</sup> <https://mof.gov.ua/storage/files/Ukraine%20-%20Investor%20Presentation%20-%20Dec%202020%20-%20.pdf>

National currency devaluation to USD during 2020 estimated about 20%<sup>14</sup>. As of March 08, 2020, official exchange rate is UAH 27.75 for USD 1<sup>15</sup>.

In the World Bank's Doing Business rating In 2017, Ukraine rose by 7 positions compared to the previous year and ranked 64th among 190 countries.

However, economic impact on Water Co is average. Water Co – local company, produces basic product, with no high currency debt. That is why this factor is ranked as average

In water production industry we can have the following influence of economic factors:

- ) Disposable income – medium impact (indirect)
- ) Economic growth – medium impact (indirect)
- ) Exchange rates – medium impact (indirect)
- ) Interest rates – medium impact (indirect)

### **Social factors**

Population growth and/or age distribution are one of the key factors in forecasting demand in the economy. Water Co should pay attention to population growth and/or age distribution before developing new products and integrate features relevant to this segment. As population is ageing it will require less tech intensive products.

Health awareness is also a very important factor. Attitudes towards health and safety protection are often reflected in product quality and cost structure of production processes. Thus, Water Co has stringent norms for health and safety norms.<sup>16</sup>

Immigration Policies and Level of Immigration are very important as well. We have to understand what the immigration policies of Ukraine are, what is the level of immigration, and in which sectors immigration is encouraged. This will enable Water Co to determine – if required can it hire talent to work in that market.

Water Co – produces healthy products for everyone. If there is no healthy, consciousness population – no one will consume.

In water production industry we can have the following influence of social factors:

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<sup>14</sup> <https://index.minfin.com.ua/ua/economy/index/devaluation/>

<sup>15</sup> <https://bank.gov.ua/ua/markets/exchangerates?date=08.03.2021&period=daily>

<sup>16</sup> <https://embapro.com/frontpage/pestelcase/6966-ggmw-fleury>

- Population growth – high impact
- Health consciousness – high impact
- Sports lifestyle – high impact
- Age distribution – high impact

### **Technology factors**

Technology impact on Water Co is high.

Water Co needs to develop new products to satisfy consumer needs. Water Co needs to improve margins, possibly via automation.

In this industry, the technical environment has its own specifics. Since the activity of the Company consists of providing the consumer with the opportunity to use rare natural resources, the coefficient of participation of the Company in the production of the product itself is practically zero. For the rest, the Company fully provides all the other activities necessary to transfer the resource to the consumer. All major technological innovations are used at this stage. These can be such aspects:

- ) Packaging design and material
- ) Label design and material
- ) Mineral water mechanical purification technologies
- ) Technologies for bottling mineral water into containers
- ) Technologies and recipes to produce soft drinks

E-commerce development has high impact

R&D development – high impact (new products development)

Level of automation – high impact (on production)

### **Ecological factors**

Ecological impact on Water Co is high. Water Co – uses PET in production. Youngers are refusing to buy products in PET. There is a high threat of losing consumers.

Anti-PET movements – high impact

Environmental footprint – high impact

Sustainability approach – high impact

### **Legal factors**

In general, legal impact on Water Co is average.



Legal factors impact any business in the country. That is why legal factor is not ranked high for Water Co as well.

It should be noted that the Water Co sells its products under its own trademark "Water CO". For this, the Company received a Certificate for the mark of goods and services No. 11111. This protects the plant's products from counterfeiting and guarantees high quality products to the consumer.

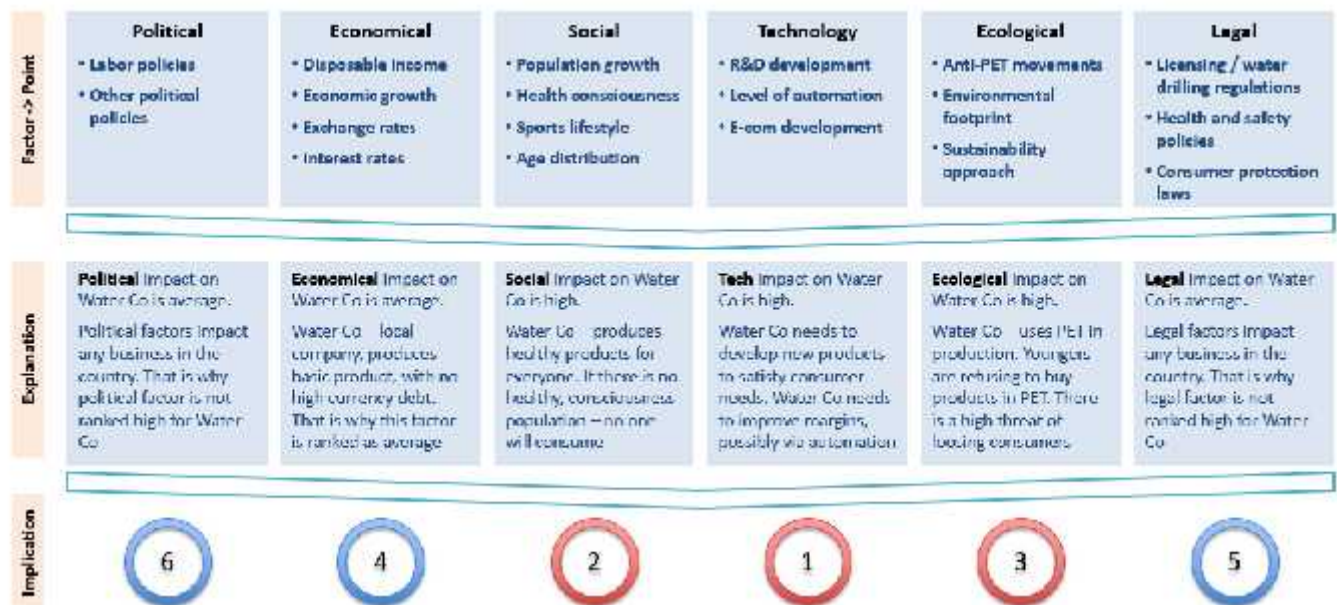
Our control system is a regular check of the quality of products and water in accordance with the regulations of the European Commission directive on the quality of drinking and mineral water in special laboratory complexes.

Responsible production - compliance of production with the requirements of environmental legislation, availability of the necessary permits and licenses.

Licensing / water drilling regulations has quite average impact.

Health and safety policy – high impact

Consumer protection laws has high impact



Picture 2.3.: PESTEL analysis



## 4. SWOT

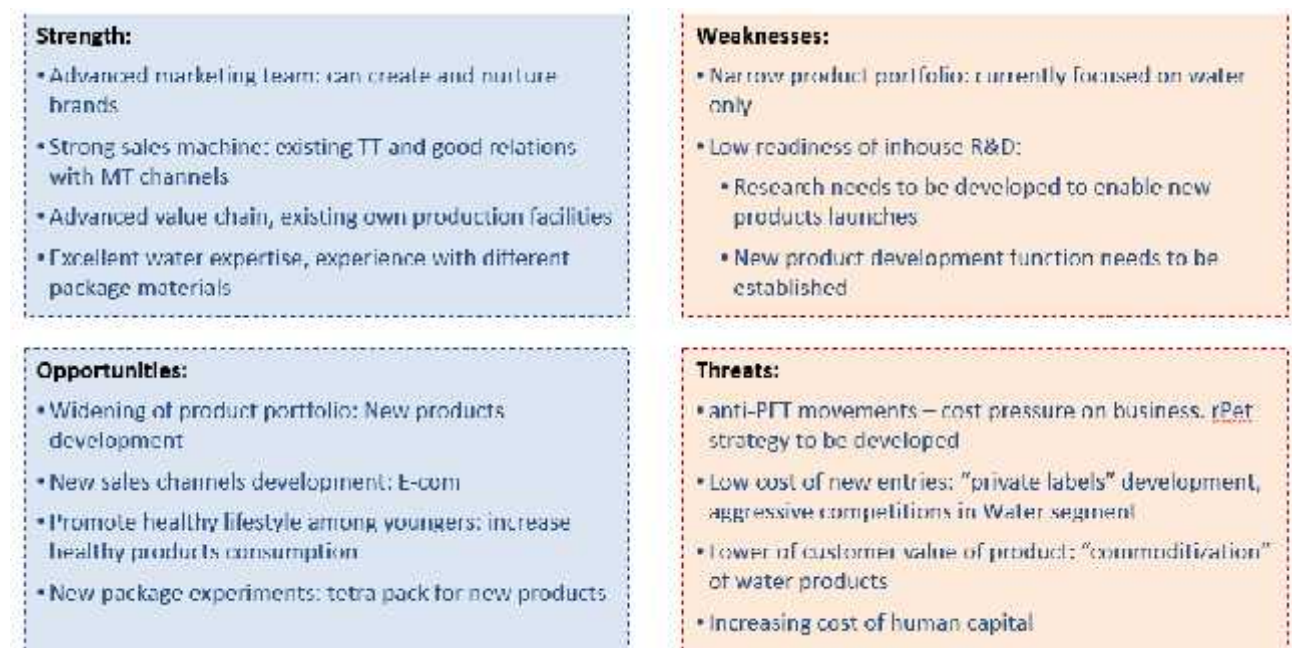
To get a clear assessment of the strength of the Company and the market situation, we need to make a SWOT-analysis. SWOT-analysis - can identify the strengths and weaknesses of the Company, as well as opportunities and threats arising from its immediate environment (external environment).

This SWOT analysis is used to outline essential audit findings to form a better understanding of how Water Co is positioned among consumers and is useful as a basis for the action plan development. It focuses on the following strategic moments revealing its potential niche of business:

- ) aspects that have the greatest impact on the new product activities of Water Co
- ) market conditions in connection with global trends and Ukrainian realities.

We have quite strong sales machine, advanced marketing team and advanced value chain as well. However, we have narrow portfolio that has currently focus on water only.

That's why our opportunities include: widening of Product portfolio (launching new products); new in-hose sales channel development, such as e-commerce.

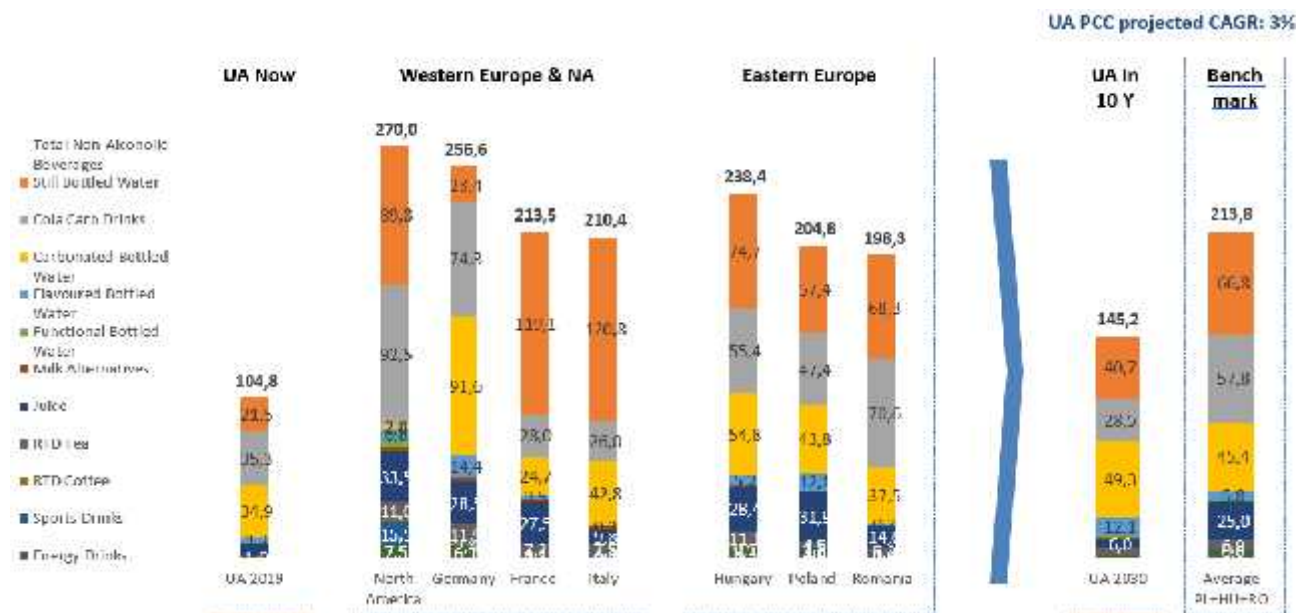


Picture 2.4.: SWOT analysis

### III. Ukraine market overview

#### 1. Ukraine compared to the World

Ukraine compared to the World: one of the lowest PCC in Europe, subject to increase



Picture 3.1.: Ukrainian non-alcoholic market benchmarking

From the above picture we can see that in Ukraine the using of water per capital consumption is almost twice lower than in our neighboring countries. Thus, this is the subject to increase due to our assumption based on the market world research and in comparison with the world practice of normal market growth.



Picture 3.2.: Ukraine compared to the World: one of the lowest PCC in Europe, subject to increase

Ukraine now is like Poland in 2004-2005 in terms of PCC

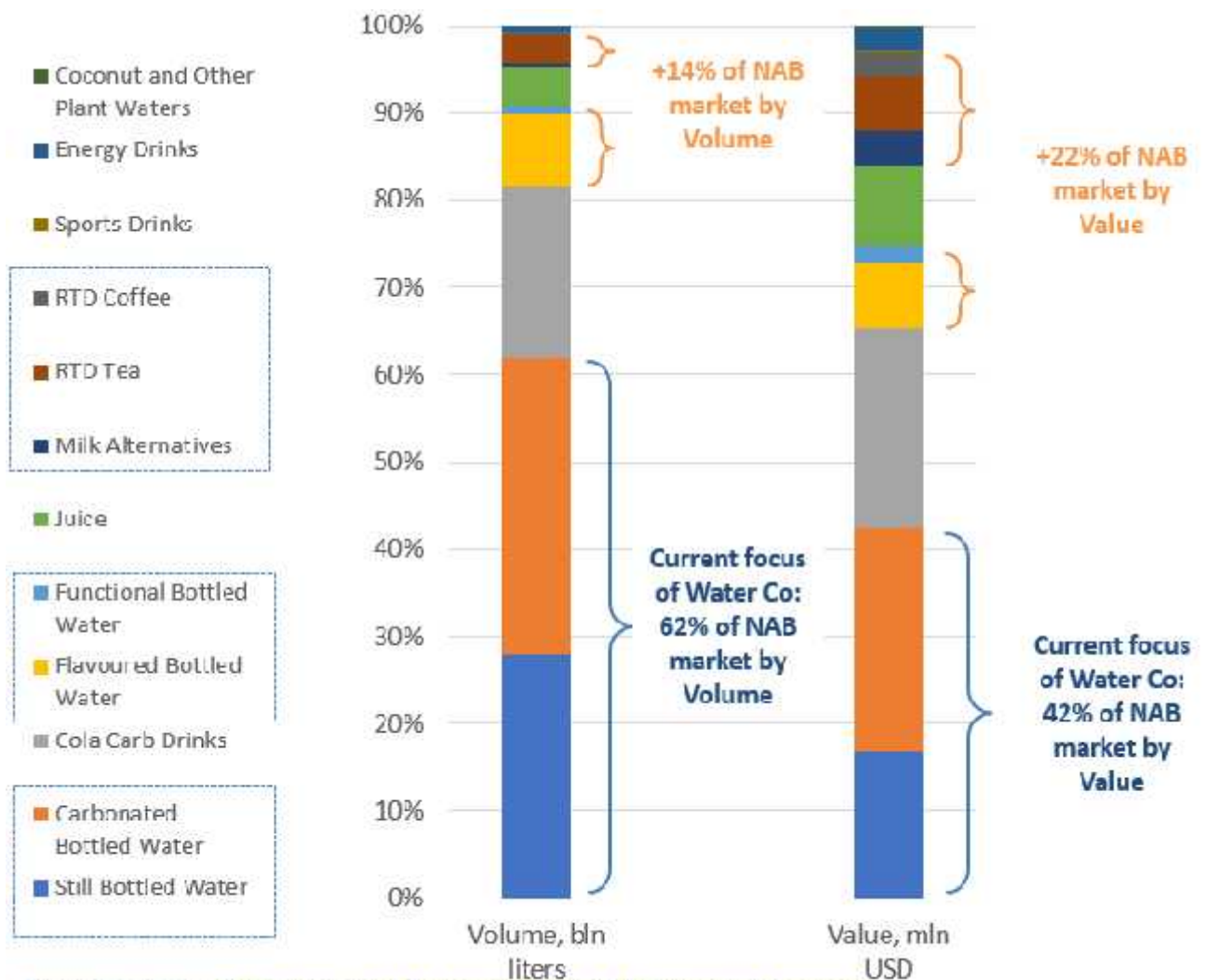
- ) In Poland it took 5 years to grow up to UA 2030 projected level of PCC
- ) Poland CAGR that period (2005-2009) was 8,6%
- ) Poland CAGR 2005-2019 – 4,8%, Hungary – 3,8%
- ) Mature German market grew only @ 1% CAGR
- ) High CAGR in Poland and Hungary may be explained by lower saturation level @ starting point

Thus, Ukraine PCC projected 10y CAGR 3% is a consensus, considering:

- ) Low saturation of Ukrainian market and though possibility of higher growth rates
- ) And general non-optimistic economic situation in the country

## 2. Addressable market

Addressable market: +14% of NAB volume and 22% NAB value to be addressed by Water Co till 2030



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Project team projections

Picture 3.3.: Water Co addressable market

Water Co works in Still and Carbonated bottled water segments:

- 62% of NAB market by volume
- 42% of NAB market by value

The Water Co new product portfolio launching consist in adding Functional and Flavored bottled water segments as well as Ready-To-Drink Coffee and Tea Segments and Milk Alternatives segment:

- +14% of NAB by volume
- +22% of NAB by value

New segments considered to be more valuable, thus, will add more value to the Water Co with less volumes to be sold.

Juices, Cola carb Drinks – are not in focus of our potential new product portfolio: The Coca-Cola Company and Pepsi Co too tough to compete.

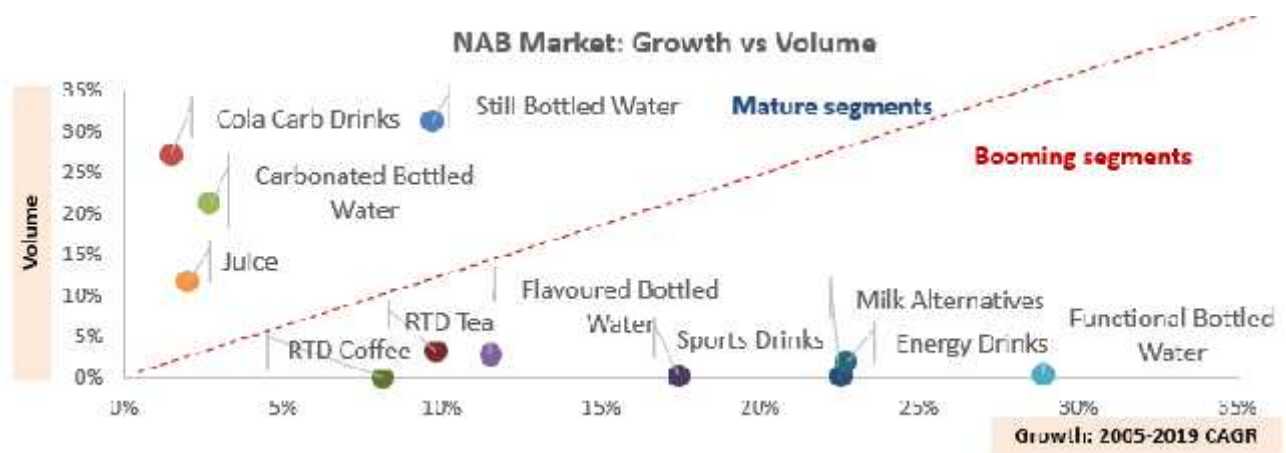
Energy Drinks – interesting segment, but already “red ocean” as well as Cola and Juices, so we don’t consider this segment as well

Other segments – niche, not expected to grow fast.

Additionally, we analyzed segments of benchmarking counties: Poland, Romania and Hungaria. For the purpose of visualization, we averaged data of those 3 countries.

The picture 3.4 shows:

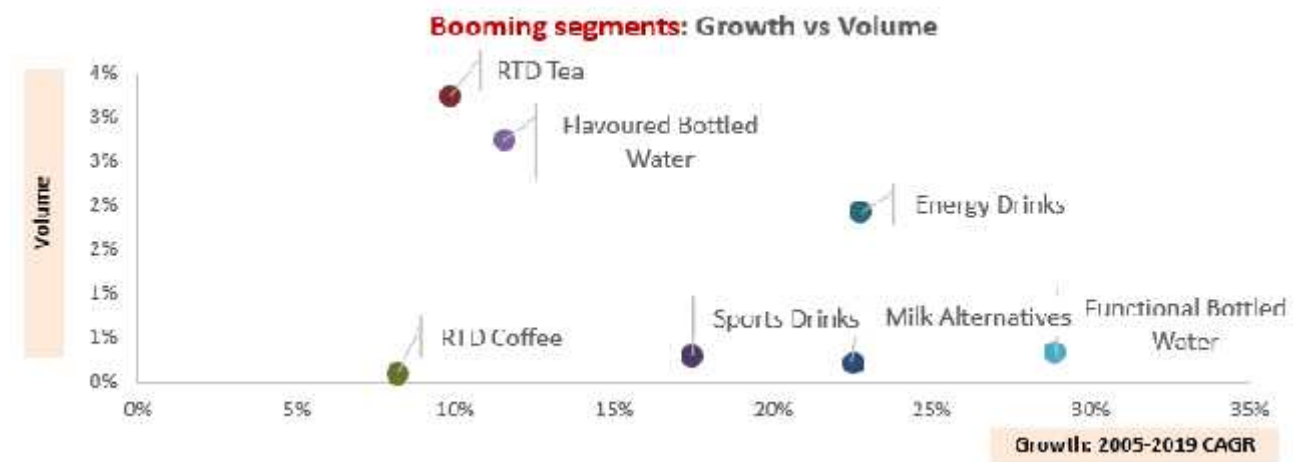
- ) Cola Carb, Carb Bottled Water and Juice – are mature segments with low level of growth
- ) Still Bottled Water – mature, yet growing segment
- ) Other segments are interesting in terms of “booming” potential and are subjects for further investigation



Picture 3.4.: Benchmarking booming segments

To make it clearer, we need a picture of only booming segments





Picture 3.5.: Benchmarking booming segments

- ) Functional Water and Milk Alternatives – the most growing segments with not high volume yet
- ) RTD Tea and Flavored Water – have highest volumes and are growing @ 10+% CAGR
- ) Energy Drinks, Sports Drinks and RTD Coffee – are question marks

Definitely, Functional Water and Milk Alternatives as well as RTD Tea and Flavored Water – all should be Water's Co choice for the development. RTD Coffee – question mark, but highest price indexes may bring additional value

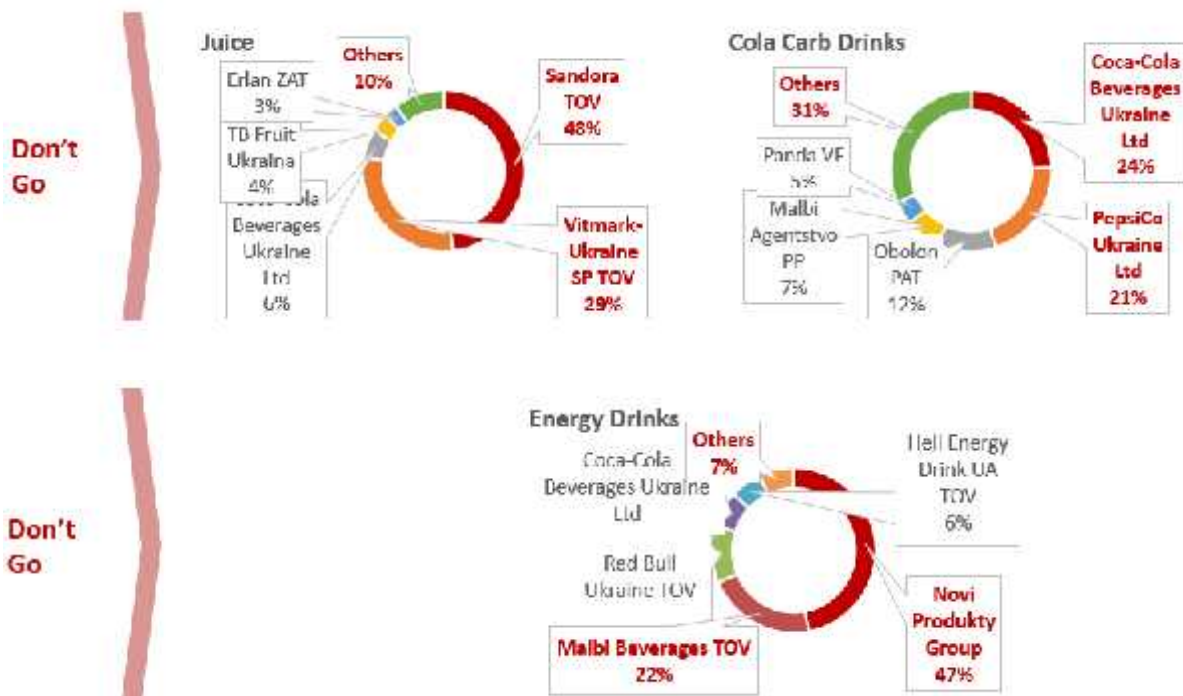
### 3. Competitors and Water Co market share ambition



Picture 3.6.: Water Co current segments: competitors and market share

- ) Mature segments

- High expected level of growth
- Highly fragmented, still lots of “Others”
- Tendency to be “Red ocean”. But some shares may be still improved



Picture 3.7.: Segments not interesting for Water Co: competitors and market share

- Mature segments
- Low level of growth
- Highly concentrated by “monsters”, not fragmented
- “Red ocean”. Too expensive to go there



Picture 3.8.: Water Co focus of interest: competitors and market share

- ) New segments
- ) High expected level of growth, even booming
- ) Immature, thus represented by not many players
- ) “Blue ocean”. Market share to get easily

## 4. Description of marketing mix

The 4-P marketing template allows us to map out 4 controllable factors affecting Water Co profits: product, price, place and promotion. By deciding on the mix of these four factors, we determine our way to take new portfolio product to market.



Picture 3.9.: 4P Model

- ) The Company is planning to launch the new **PRODUCT**'s portfolio.
- ) **PROMOTION**. TV adverting, marketing campaign.
- ) To understand Net Revenue of Water Co additional assumptions should be explained. At first, to recalculate gross **PRICES** from the retailing selling prices we need to assume sales channel markup. This ratio represents how much will sales channel get from RSP. At second, to obtain net price, we should assume how much additional discount will we provide to the sales channel (e.g. for better position on shelf or at the POS zone).
- ) **PLACE** (the location where a product is marketed).



Marketing mix, based on 4-P approach, contains the following categories:

	Product	Promotion	Price	Place
As Is	<b>Bottled Water:</b>	TV adverts	Higher than the average price in the same segment: price index ~1,0 for Carb, Still: ~1,2	Modern trade
	<ul style="list-style-type: none"> <li>natural mineral waters</li> <li>Variety of formats (liters): 0,3 0,5 1,0 1,5</li> <li>Package: PET, Glass and Can</li> </ul>	Adverts on the streets Trade marketing promo		Traditional trade HoReCa E-Com (0,8% of vol)
To Be	<b>Bottled Water:</b>	TV adverts	Higher than the average price in the same segment: price index ~1,0 for Carb, Still: ~1,2	Modern trade
	<ul style="list-style-type: none"> <li>natural mineral waters</li> <li>Variety of formats (liters): 0,3 0,5 1,0 1,5</li> <li>Package: PET, Glass and Can</li> </ul>	Adverts on the streets Trade marketing promo Internet adverts		Traditional trade HoReCa E-Com to be naturally growing
	<b>Functional &amp; Flavored waters:</b>	The same as with water	Target price index:	Modern trade
	<ul style="list-style-type: none"> <li>Based on natural mineral waters</li> <li>Smaller formats (liters): 0,3 0,5</li> <li>Package: PET, Glass and Can</li> </ul>	May be synergy with water brands	Flavored: 2.0 to the bottled water Functional: 2.2 to the bottled water	Traditional trade HoReCa E-Com to be naturally growing
	<b>RTD tea &amp; coffee:</b>	The same as with water	Target price index:	Modern trade
	<ul style="list-style-type: none"> <li>Based on natural mineral waters</li> <li>Smaller formats (liters): 0,3 0,5</li> <li>Package: Glass and Can</li> </ul>	May be synergy with water brands	Tea: 4.0 to the bottled water Coffee: 10.0 to the bottled water	Traditional trade HoReCa E-Com to be naturally growing
	<b>Plant milk products</b>	TV & internet adverts	Target price index:	Modern trade
	<ul style="list-style-type: none"> <li>Smaller formats (liters): 0,3 0,5</li> <li>Package: PET and Tetrapack</li> </ul>	Adverts on the streets Trade marketing promo	7.0 to bottled water	HoReCa E-Com to be naturally growing

Picture 3.10.: "As-is" and "to-be" comparisons of the '4 Ps'

The new product portfolio will enter a concentrated market, which requires a targeted approach to a specific target audience as part of the marketing strategy: a deep understanding of consumers (the needs of young people in beverages with additives, the needs of young people in eco-packaging).

The product should be very well presented. Customers need to understand the benefits of the product and its properties. Advertising plays a very important role in this point of view, the exact target audience for certain types of our products must be reached, based on the age category in the first place.

The idea of promoting new product portfolio - the Water Co should use special communication channels with a focus on the target audience of customers focused on sports, the use of environmentally friendly products, care for nature.

The Water Co should introduce new product on the shelves among other products of Water Co - to match them with the overall product range and advertising strategy.

Such launching should help to understand for customer Water Co brand awareness, stable interest to the product and affordable of the product.

## IV. Water Co operations and financials

During modelling and strategic options assessment, we obtained resulting financial reports. These reports are the following:

- ) Statement of financial position
- ) Statement of Cash Flows
- ) Statement of comprehensive incomes

	Unit	Unit	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
			ACT	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC
<b>B\$</b>													
<b>ASSETS</b>													
Intangible fixed assets	\$ mil		159.5	189.2	200.8	222.5	235.0	251.0	273.5	299.0	326.1	355.0	427.1
Intangible fixed assets	\$ mil		21.3	2.7	18.0	13.6	5.7	15.4	8.0	15.8	1.5	2.4	14.2
<b>Subtotal - Non-current assets</b>	<b>\$ mil</b>		<b>160.0</b>	<b>219.9</b>	<b>228.8</b>	<b>242.1</b>	<b>246.7</b>	<b>270.1</b>	<b>290.7</b>	<b>320.7</b>	<b>349.6</b>	<b>378.0</b>	<b>465.1</b>
Inventory	\$ mil		14.2	15.5	18.0	19.8	19.8	19.1	25.5	28.7	31.5	34.5	37.8
Trade receivables	\$ mil		57.7	41.3	44.5	43.3	52.8	58.2	84.9	70.7	78.3	82.5	83.4
Cash and Banks	\$ mil		20.0	23.7	26.1	13.4	5.3	10.1	7.4	11.7	12.4	20.6	20.3
<b>Subtotal - Current assets</b>	<b>\$ mil</b>		<b>72.2</b>	<b>80.9</b>	<b>88.4</b>	<b>66.8</b>	<b>77.7</b>	<b>92.6</b>	<b>107.6</b>	<b>111.1</b>	<b>123.2</b>	<b>137.6</b>	<b>163.1</b>
<b>TOTAL ASSETS</b>	<b>\$ mil</b>		<b>232.0</b>	<b>299.1</b>	<b>312.3</b>	<b>328.1</b>	<b>333.3</b>	<b>364.9</b>	<b>399.0</b>	<b>431.8</b>	<b>462.8</b>	<b>495.1</b>	<b>603.6</b>
<b>LIABILITIES &amp; EQUITY</b>													
Share capital	\$ mil		100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Reserves and retained	\$ mil		49.7	84.8	75.1	157.2	186.2	150.4	155.5	210.5	218.6	270.0	334.2
Dividends paid	\$ mil		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Profit for the year	\$ mil		30.3	23.9	20.5	34.1	34.1	37.1	42.4	41.5	42.4	46.0	48.2
<b>Subtotal - Shareholders' equity</b>	<b>\$ mil</b>		<b>179.0</b>	<b>208.7</b>	<b>195.6</b>	<b>291.3</b>	<b>298.3</b>	<b>287.5</b>	<b>317.9</b>	<b>351.5</b>	<b>361.0</b>	<b>416.0</b>	<b>482.2</b>
Trade payables	\$ mil		15.0	33.0	25.0	12.0	3.0	-	-	-	-	-	-
<b>Subtotal - Non-current liabilities</b>	<b>\$ mil</b>		<b>15.0</b>	<b>33.0</b>	<b>25.0</b>	<b>12.0</b>	<b>3.0</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Trade payables and Accrued expenses	\$ mil		14.0	5.2	14.9	17.0	10.1	23.0	10.1	40.1	30.1	14.0	17.5
<b>Subtotal - Current liabilities</b>	<b>\$ mil</b>		<b>14.0</b>	<b>5.2</b>	<b>14.9</b>	<b>17.0</b>	<b>28.1</b>	<b>23.2</b>	<b>25.5</b>	<b>35.2</b>	<b>25.1</b>	<b>14.0</b>	<b>27.5</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>\$ mil</b>		<b>232.0</b>	<b>299.1</b>	<b>312.3</b>	<b>328.1</b>	<b>333.3</b>	<b>364.9</b>	<b>399.0</b>	<b>431.8</b>	<b>462.8</b>	<b>495.1</b>	<b>603.6</b>

Table 4.1.: Statement of financial position

	Unit	Unit	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
			ACT	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC
<b>CF</b>													
Cash from operations	\$ mil		28.6	37.3	41.2	44.4	42.2	45.2	56.0	74.0	67.0	69.5	67.1
add:	\$ mil		32.9	39.1	44.4	42.8	42.7	46.2	50.5	51.0	54.2	57.0	61.5
Interest	\$ mil		1.9	4.1	2.0	1.5	0.4	-	-	-	-	-	-
Depreciation	\$ mil		0.0	7.0	8.2	12.1	13.0	15.1	7.1	10.8	20.1	23.1	21.0
Other non-cash items	\$ mil		-	-	-	-	-	-	-	-	-	-	-
Trade receivables	\$ mil		- 3.2	- 3.3	- 3.5	- 4.8	- 5.5	- 6.1	- 6.4	- 5.7	- 6.2	- 6.8	- 8.1
Trade payables	\$ mil		1.1	1.2	6.2	2.7	3.1	2.0	2.0	2.4	2.7	3.0	3.0
Change in inventory	\$ mil		4.3	5.1	6.0	3.0	3.6	7.7	2.9	2.7	3.0	3.1	4.0
Interest paid	\$ mil		- 1.9	- 4.1	- 2.0	- 1.5	- 0.4	-	-	-	-	-	-
Income tax paid	\$ mil		0.0	7.2	0.8	0.0	0.0	8.3	0.1	10.1	10.0	1.5	3.0
<b>Cash from investments</b>	<b>\$ mil</b>		<b>- 32.4</b>	<b>- 39.7</b>	<b>- 22.5</b>	<b>- 31.8</b>	<b>- 21.3</b>	<b>- 22.1</b>	<b>- 24.5</b>	<b>- 30.1</b>	<b>- 18.3</b>	<b>- 11.7</b>	<b>- 21.0</b>
CAPEX	\$ mil		- 32.4	- 39.7	- 22.5	- 31.8	- 21.3	- 22.1	- 24.5	- 30.1	- 18.3	- 11.7	- 21.0
<b>Cash from financing</b>	<b>\$ mil</b>		<b>6.0</b>	<b>11.0</b>	<b>1.0</b>	<b>26.0</b>	<b>26.0</b>	<b>21.0</b>	<b>21.0</b>	<b>30.0</b>	<b>26.0</b>	<b>25.0</b>	<b>3.0</b>
Debt issue	\$ mil		- 6.0	- 1.0	- 1.0	- 10.0	- 15.0	- 21.1	- 25.0	- 40.0	- 25.0	- 25.1	- 35.0
Dividend	\$ mil		10.0	12.0	10.0	10.0	10.0	0.0	-	-	-	-	-
<b>Total cashflow</b>	<b>\$ mil</b>		<b>2.2</b>	<b>6.6</b>	<b>1.7</b>	<b>46.7</b>	<b>47.9</b>	<b>44.1</b>	<b>52.5</b>	<b>53.9</b>	<b>58.7</b>	<b>52.8</b>	<b>49.1</b>
Cash at the beginning of the year	\$ mil		10.2	20.3	26.7	30.1	19.4	15.3	56.1	47.4	15.7	15.4	20.0
Total cashflow	\$ mil		2.2	6.6	1.7	46.7	47.9	44.1	52.5	53.9	58.7	52.8	49.1
<b>Cash at the end of the year</b>	<b>\$ mil</b>		<b>12.4</b>	<b>26.9</b>	<b>28.4</b>	<b>76.8</b>	<b>67.3</b>	<b>59.4</b>	<b>108.6</b>	<b>101.3</b>	<b>74.4</b>	<b>68.2</b>	<b>69.1</b>
			12.41%	16.52%	18.17%	24.02%	19.71%	16.42%	30.23%	23.22%	14.71%	13.22%	13.33%

Table 4.2.: Statement of Cash Flows

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
	ACT	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC
Net Revenue	\$ mil	173.7	187.4	206.2	227.5	251.2	275.1	298.2	322.4	346.2	369.7
COGS	\$ mil	65.0	69.0	72.7	77.7	82.6	87.7	92.9	98.3	103.8	109.4
Gross Profit	\$ mil	108.7	118.4	133.5	149.8	168.6	187.4	205.3	224.1	242.4	260.3
Gross Profit margin	%	62%	63%	65%	66%	67%	68%	69%	70%	70%	71%
Logistics	\$ mil	20.4	23.0	25.0	26.8	28.3	29.7	31.1	32.4	33.7	35.0
Product marketing	\$ mil	17.2	19.0	20.2	21.3	22.4	23.5	24.6	25.7	26.8	27.9
Production & packaging	\$ mil	13.1	14.8	16.1	17.3	18.5	19.7	20.9	22.1	23.3	24.5
USA	\$ mil	12.8	14.7	16.1	17.3	18.5	19.7	20.9	22.1	23.3	24.5
EBITDA	\$ mil	41.4	47.2	56.4	66.3	78.0	91.8	107.6	125.4	145.3	167.2
EBITDA margin	%	24%	25%	27%	29%	31%	33%	36%	39%	42%	45%
Depreciation	\$ mil	11.1	12.1	13.0	13.8	14.6	15.4	16.1	16.9	17.7	18.5
Amortization	\$ mil	1.0	1.1	1.2	1.3	1.4	1.5	1.6	1.7	1.8	1.9
EBIT	\$ mil	29.3	34.0	43.4	52.5	63.4	76.3	91.5	108.5	127.6	148.7
EBIT margin	%	17%	18%	21%	23%	25%	28%	31%	34%	37%	40%
Interest expense	\$ mil	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8
Net Income	\$ mil	27.5	32.2	41.6	50.7	61.6	74.5	89.7	106.7	125.8	146.9
Net Income margin	%	16%	17%	20%	22%	24%	27%	30%	33%	36%	40%

Table 4.3.: Statement of comprehensive incomes

In this chapter we will go through main assumptions that lie behind the resulting numbers. Understanding of main assumptions should make it clear why we obtained such a result. At the end of the chapter, we will focus on analysis of results: are results good or bad.

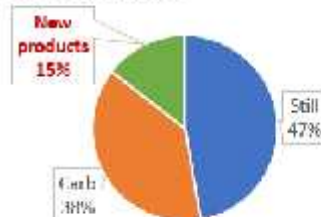
## 1. Changes in portfolio

Main assumption that lies behind the whole work, is that Water Co will be able to diversify its product portfolio. Task is to get 15% of new products in product portfolio in 2030 year. Currently Water Co has Carb Water - 53% of portfolio and Still Water – 47% of portfolio.

Portfolio in 2020, volumes



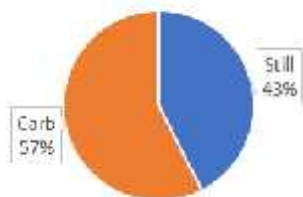
Portfolio in 2030, volumes



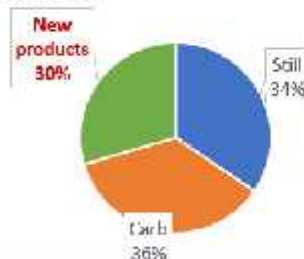
Picture 4.1.: Portfolio diversification in volume terms

At the same time in value terms Water Co's product portfolio should get 30% of new products. This is because new products to be designed to add more value to the Water Co's business

Net Revenue 2020



Net Revenue 2030



Picture 4.2.: Portfolio diversification in value terms

New products to be launched in 2023. Period to maturity – is 4 years. In 4 years, it is expected that each segment should give not less than 30% of market share of the segment to the Water Co.

### Control - Water Co

#### Market Setting

##### Target PCC Input:

Total Flavoured:			
Flavoured - other:	1,2%	35,0%	+34%
Total Functional:			
Functional - other:	-	35,0%	+35%

Launch	Years	Market Share:
--------	-------	---------------

#### Milk Alternatives

Soy Drinks			
Other Milk Alternatives	2023	4	30%

#### RTD Tea

Still RTD Tea	2023	4	30%
Carbonated RTD Tea	2023	4	30%

#### RTD Coffee

Sports Drinks	2023	4	30%
Energy Drinks			
Coconut and Other Plant Waters			-
Asian Speciality Drinks			

##### Benchmarking PCC

		Target PI
	5,41x	2,0x
	2,2x	2,2x

CM2, \$/l 2030	CM2,% 2030
----------------	------------

	7,0x
	4,0x
	9,0x
	10,0x
	8,0x

Table 4.4.: New product segments development

Resulting sales volumes in million liters can be found in Table 4.5.



Scenario		2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
<b>Water Co Volumes:</b>												
Bottled Water:		712	800	864	938	1018	1100	1174	1252	1331	1414	1504
Still - small & medium:	mln L	237	267	296	327	362	397	425	453	482	512	542
Still - bulk:	mln L	93	103	113	124	135	147	156	166	176	186	196
Carb - Curative Caucasian	mln L	38	44	47	50	53	56	59	62	65	68	70
Carb - other:	mln L	342	377	390	407	424	442	459	476	494	511	529
Total flavoured:	mln L	1	9	17	27	39	52	67	84	103	123	151
Total functional:	mln L	-	0	1	2	4	6	8	10	12	14	16
Other 3 Products:					4	9	17	28	35	43	53	66
Other Milk Alternatives	mln L	-	-	-	0	1	1	2	3	4	6	9
Still RTD Tea	mln L	-	-	-	3	8	15	24	28	34	41	49
Carbonated RTD Tea	mln L	-	-	-	0	0	1	1	1	1	2	2
RTD Coffee	mln L	-	-	-	0	0	1	2	2	3	4	5

Table 4.5.: Sales volumes (mln. liters) by years, by segments

Value of the portfolio is measured by retailing selling prices (RSP). Those are prices that are available to the final customer e.g. on the supermarket shelf (assuming Traditional Trade sales channel)

Retailing sales prices (RSP) \$/liter are represented in the table below.

Scenario		2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
<b>Water Co Average RSP</b>												
Still - small & medium:	\$ / liter	0.40	0.40	0.39	0.39	0.33	0.33	0.38	0.37	0.37	0.37	0.362
Still - bulk:	\$ / liter	0.23	0.22	0.22	0.22	0.22	0.22	0.21	0.21	0.21	0.21	0.20
Carb - Curative Caucasian	\$ / liter	1.36	1.48	1.48	1.47	1.45	1.45	1.45	1.44	1.43	1.42	1.42
Carb - other:	\$ / liter	0.32	0.31	0.31	0.31	0.31	0.31	0.30	0.29	0.29	0.29	0.29
Total flavoured	\$ / liter	1.80	0.67	0.67	0.67	0.67	0.67	0.67	0.67	0.67	0.67	0.67
Total functional	\$ / liter	-	0.73	0.73	0.73	0.73	0.73	0.73	0.73	0.73	0.73	0.73
Other Milk Alternatives	\$ / liter	2.33	2.33	2.33	2.33	2.33	2.33	2.33	2.33	2.33	2.33	2.33
Still RTD Tea	\$ / liter	1.33	1.33	1.33	1.33	1.33	1.33	1.33	1.33	1.33	1.33	1.33
Carbonated RTD Tea	\$ / liter	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
RTD Coffee	\$ / liter	3.33	3.33	3.33	3.33	3.33	3.33	3.33	3.33	3.33	3.33	3.33

Table 4.6.: Retailing selling prices (\$/liter) by years, by segments

## 2. Sales plan of Water Co: 10 years' projections

To understand Net Revenue of Water Co additional assumptions should be explained.

At first, to recalculate gross prices from the retailing selling prices we need to assume sales channel markup.

$$\text{Sales channel markup, \%} = \text{Gross Price} / \text{RSP} - 1$$

This ratio represents how much will sales channel get from RSP. The rest will be shown in Water Co's PL as "Gross Revenue"

At second, to obtain net price, we should assume how much additional discount will we provide to the sales channel (e.g. for better position on shelf or at the POS zone)

$$\text{Discounts, \%} = \text{Gross Price} / \text{Net Price}$$

Unit	Unit	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
		FC	FC	FC	FC	FC	FC	FC	FC	FC	FC
<b>Gross Price / RSP</b>											
Index		100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Bottled Water:		08.9%	08.8%	08.8%	08.7%	08.5%	08.5%	08.4%	08.3%	08.3%	08.1%
New products				03.7%	03.7%	03.7%	03.7%	03.7%	03.7%	03.7%	03.7%
Other											
Bottled Water:											
Still bottled water											
Still - small & medium		75%	75%	75%	75%	75%	75%	75%	75%	75%	75%
Still - bulk		85%	85%	85%	85%	85%	85%	85%	85%	85%	85%
Carbonated Bottled Water											
Coke - Coke (or Diet Coke)		75%	75%	75%	75%	75%	75%	75%	75%	75%	75%
Coke - other		85%	85%	85%	85%	85%	85%	85%	85%	85%	85%
Flavoured Bottled Water		84%	84%	84%	84%	84%	84%	84%	84%	84%	84%
Functional Bottled Water		84%	84%	84%	84%	84%	84%	84%	84%	84%	84%
Other Milk Alternative		84%	84%	84%	84%	84%	84%	84%	84%	84%	84%
RTD Tea											
RTD Tea still		84%	84%	84%	84%	84%	84%	84%	84%	84%	84%
RTD Tea carbonated		84%	84%	84%	84%	84%	84%	84%	84%	84%	84%
RTD Coffee											
RTD Coffee still		84%	84%	84%	84%	84%	84%	84%	84%	84%	84%
RTD Coffee carbonated		84%	84%	84%	84%	84%	84%	84%	84%	84%	84%

Table 4.7.: Gross price, % from RSP, by years, by segments

In the table we see that we assumed to have sales channel average markup ~32% for existing products and ~36% for new products. In this way we will encourage sales channels to be focused on our products.

Additionally, Water Co is ready to stimulate sales channels by special discounts. These discounts are modelled at up to 20% level of gross price for new and existing products. These discounts will be provided to the channel in case of better placement of our products or other activities that increase turnover of our products. Discounts' data are shown in a table below.

Unit		2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
		HC	FC	HC	FC	HC	FC	HC	FC	HC	FC
<b>Net Price / Gross Price</b>											
<b>Total</b>		78.4%	78.4%	78.4%	78.4%	78.5%	78.5%	78.5%	78.5%	78.5%	78.5%
Bottled Water		78.4%	78.4%	78.4%	78.4%	78.4%	78.4%	78.4%	78.4%	78.4%	78.4%
New products		-	-	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%
<b>Bottled Water</b>											
Still Bottled Water											
Still - small & medium		80%	80%	80%	80%	80%	80%	80%	80%	80%	80%
Still - bulk		84%	84%	84%	84%	84%	84%	84%	84%	84%	84%
Carbonated Bottled Water											
Cord - Curative Consumption		80%	80%	80%	80%	80%	80%	80%	80%	80%	80%
Cord - other		78%	78%	78%	78%	78%	78%	78%	78%	78%	78%
Flavoured Bottled Water		78%	78%	78%	78%	78%	78%	78%	78%	78%	78%
Unconditional Bottled Water		70%	70%	70%	70%	70%	70%	70%	70%	70%	70%
Other Still Bottled Water		80%	80%	80%	80%	80%	80%	80%	80%	80%	80%
<b>RTD</b>											
RTD Tea		80%	80%	80%	80%	80%	80%	80%	80%	80%	80%
RTD Tea - still		80%	80%	80%	80%	80%	80%	80%	80%	80%	80%
RTD Tea - carbonated		80%	80%	80%	80%	80%	80%	80%	80%	80%	80%
<b>RTD Coffee</b>											
RTD Coffee		80%	80%	80%	80%	80%	80%	80%	80%	80%	80%

Table 4.8.: Net price, % from Gross Price, by years, by segments

Under described above assumptions Water Co gets strong growth in sales:

- └ Net revenue increase CAGR 2021-2030: 9,11%
- └ Volume increase CAGR 2021-2030: 7,78%

And, as a result we can see that:

- └ EBITDA increase CAGR 2021-2030: 6,50%



Picture 4.3.: Sales 2021-2030 projections

Good marketing mix, supported by a combination of communications, proper market positioning - bring quite good advantages over competitors of the same type of product and price.

The new product portfolio is likely to focus on the niche of modern products, which is dominated by flavor and product that packaged by PET.

### **3. CAPEX REQUIRED**

Total Water Co CAPEX may be divided into 3 buckets:

    ) CAPEX required to enable new business/new products.

Mainly this CAPEX is represented by aseptic line. This line is needed to perform flavored products, RTD Tea, Coffee, Non-Milk products.

    ) CAPEX to support capacities of existing business/products.

This CAPEX is represented by water resources development projects as well as new water lines.

    ) Unallocated (general CAPEX).

Here we can see storage facilities development, all maintenance, and other common facilities.



	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
CAPEX Total	35,7	22,8	31,8	21,3	22,3	24,6	30,1	18,3	19,1	21,9
Incl:										
Water Business	5,9	2,9	14,9	9,4	1,0	1,4	8,6	0,2	0,4	-
Water Resources	1,0	2,3	2,5	1,4	1,0	1,4	0,4	0,2	0,4	-
BULK	3,8	-	-	-	-	-	-	-	-	-
HOD	2,1	0,6	3,5	2,1	-	-	-	-	-	-
PET 7	-	-	8,2	-	-	-	-	-	-	-
PET 3	-	-	0,6	5,9	-	-	-	-	-	-
PET 8	-	-	-	-	-	-	8,2	-	-	-
New Products	13,9	-	-	1,2	0,2	-	-	-	-	-
NPD	1,4	-	-	-	-	-	-	-	-	-
PET6 - Aseptic	12,9	-	-	-	-	-	-	-	-	-
PET6 - Syrup room	0,8	-	-	-	-	-	-	-	-	-
PET6 - addendums	2,2	-	-	-	-	-	-	-	-	-
CAN	1,7	-	-	-	-	-	-	-	-	-
Tetra Pack Line	-	-	-	1,2	0,2	-	-	-	-	-
Unallocated	10,8	19,9	16,9	10,8	21,0	23,7	21,5	18,7	18,8	21,9
Building	-	5,3	-	-	2,4	2,9	-	-	-	-
Warehousing & Logistics	3,2	12,5	7,9	5,1	9,3	6,2	7,3	2,2	2,1	2,0
Aux equipment	-	0,6	6,2	1,2	1,4	5,1	2,1	1,2	-	-
Information Technology	1,5	0,6	0,3	0,3	0,9	0,5	0,8	0,7	0,3	0,4
Admin CAPEX	2,4	-	-	-	-	-	-	-	-	-
RTM	3,7	-	-	-	-	-	-	-	-	-
CAPEX - maintenance	-	0,9	2,4	4,2	6,2	8,5	11,4	14,1	16,3	19,5
CAPEX new equipment	35,7	21,0	29,3	17,2	16,1	16,0	18,8	4,2	2,8	2,5

Table 4.9.: Total CAPEX, mln USD

For the new products CAPEX - we also need to obtain evidence that these capital expenditures are economically feasible. To obtain this evidence net present value and Payback period for the new products' CAPEX were calculated.

Results of the calculations may be seen in a table below.

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
New Products CM, mln USD	-	-	0,5	2,1	4,5	8,5	10,5	13,0	16,2	20,2
CAPEX, mln USD	-	13,9	-	1,2	0,2	-	-	-	-	-
Scrap value, mln USD	10%									2,0
CF	-	13,9	-	0,9	4,3	8,5	10,5	13,0	16,2	22,3
Discount rate	12%									
NPV @ 12%, mln USD	14,6									
Payback	7 Years									

Table 4.10.: New products CAPEX NPV calculations

Our assumptions are the following:

- ) 10 years period;
- ) Cash inflows – new products' contribution margin for the 10 years period;

- ┐ Cash outflows – new products' CAPEX;
- ┐ Scrap value – in is assumed that we are able to sell the equipment in 10 years period for the 10% of initial investments;
- ┐ Discount factor – projected Net Income / Shareholders Equity (return on equity) for the 2021;

Results are:

- ┐ NPV @ 12%, mln USD: 14,6 – positive
- ┐ Payback (undiscounted): 7 years - acceptable

Conclusion:

As we can see that net present value is positive and Payback is acceptable, thus Water Co may proceed with New products option



Picture 4.4.: Total CAPEX, mln USD

## 4. Increases in OPEX

The model is done in real terms, so it does not include any inflation assumptions. All increases in OPEX – are structural increases or are caused by volumes/revenue increases.

Main OPEX elements are:

- ┐ COGS – cost of goods sold – depends on volume projections
- ┐ Logistics – depends on volume projections
- ┐ BM – brand marketing – depends on net revenue, represented by % of net revenue
- ┐ TM – trade marketing – depends on net revenue, represented by % of net revenue

- ) G&A – general and administrative expenses – are subject to structural increase
- IT & consulting we believe will grow 10% year over year
  - Salaries and other expenses we believe will grow 4% year over year.

Tables with every assumption are listed below.

Unit	Unit	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
		FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC
<b>1.0Ltr 1/32 liter</b>												
<b>Total</b>		0.06	0.07	0.06	0.08	0.06	0.09	0.06	0.09	0.10	0.10	0.10
Bottled Water		0.06	0.07	0.06	0.08	0.06	0.09	0.06	0.09	0.10	0.10	0.10
New products		-	-	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05
Box												
Bottled Water:												
Still bottled water		0.06	0.07	0.06	0.08	0.06	0.09	0.06	0.09	0.10	0.10	0.10
Carbonated Bottled Water		0.07	0.07	0.07	0.07	0.07	0.07	0.07	0.07	0.07	0.07	0.07
Flavored Bottled Water		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Functional Bottled Water		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other Milk Alternative		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
RTD Tea												
RTD Tea still		0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03
RTD Tea carbonated		0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03
RTD Coffee												
RTD Coffee		0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03

Table 4.11.: COGS, USD per liter

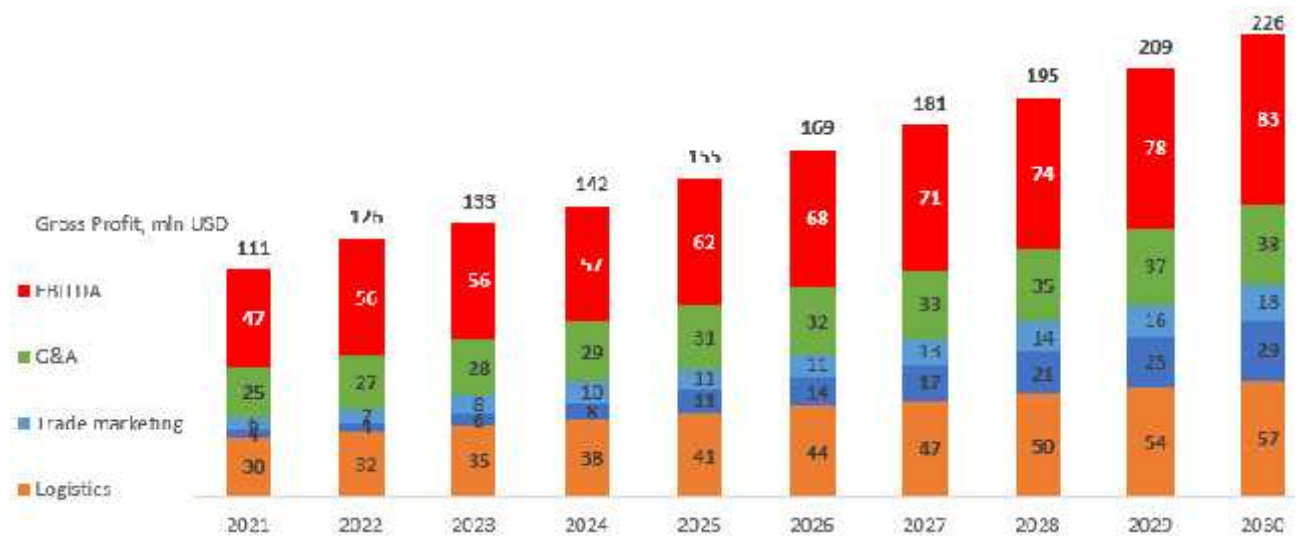
Unit	Unit	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
		FC	FC	FC	FC	FC	FC	FC	FC	FC	FC	FC
<b>1.0Ltr 1/32 liter</b>												
<b>Total</b>		0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04
Bottled Water		0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04
New products		-	-	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Box												
Bottled Water:												
Still bottled water		0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04
Carbonated Bottled Water		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Flavored Bottled Water		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Functional Bottled Water		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other Milk Alternative		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
RTD Tea												
RTD Tea still		0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03
RTD Tea carbonated		0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03
RTD Coffee												
RTD Coffee		0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03

Table 4.12.: Logistics, USD per liter

Unit	Unit	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
		FC	FC	FC	FC	FC	FC	FC	FC	FC	FC
<b>70% of Net Revenue</b>											
<b>Total</b>		3.2%	3.2%	3.5%	4.2%	4.5%	4.8%	4.2%	4.8%	4.5%	4.7%
Bottled Water		3.2%	3.2%	3.7%	3.8%	3.8%	4.0%	4.1%	4.0%	4.5%	4.0%
New products		-	-	16.0%	10.0%	8.0%	4.0%	1.0%	4.0%	1.0%	4.0%
Box											
Bottled Water:											
Still bottled water		2.8%	2.8%	2.8%	3.1%	3.1%	3.2%	3.1%	3.4%	3.5%	3.4%
Carbonated Bottled Water		2.8%	2.8%	2.8%	3.1%	3.1%	3.2%	3.1%	3.4%	3.5%	3.4%
Flavored Bottled Water		10.0%	10.0%	5.0%	7.8%	7.7%	5.0%	2.0%	5.0%	2.0%	5.0%
Functional Bottled Water		10.0%	10.0%	5.0%	7.8%	7.7%	5.0%	2.0%	5.0%	2.0%	5.0%
Other Milk Alternative	20%	-	-	20.0%	10.0%	10.0%	5.0%	5.0%	5.0%	5.0%	5.0%
RTD Tea											
RTD Tea still	20%	-	-	30.0%	10.0%	10.0%	5.0%	5.0%	5.0%	5.0%	5.0%
RTD Tea carbonated	20%	-	-	30.0%	10.0%	10.0%	5.0%	5.0%	5.0%	5.0%	5.0%
RTD Coffee	20%	-	-	10.0%	10.0%	10.0%	5.0%	5.0%	5.0%	5.0%	5.0%







Picture 4.5.: Total OPEX, mln USD



Picture 4.6.: Total G&A, mln USD

## 5. Cash Flows including debt and dividends policies

“Cash flow from financing activities (CFF) is a section of a company’s cash flow statement, which shows the net flows of cash that are used to fund the company. Financing activities include transactions involving debt, equity, and dividends.”<sup>17</sup>

Cash flow projections are needed to get clear evidence that:

- ) Business will not get insolvent
- ) CAPEX may be financed
- ) May be a need in debt

<sup>17</sup> <https://www.investopedia.com/terms/c/cashflowfromfinancing.asp>



In terms of ratios we are interesting in:

- ) Operations efficiency – represented by EBITDA margin ratio
- ) Efficiency of shareholders capital – represented by Net Income / Shareholders Equity ratio
- ) Safety in terms of debt – represented by Net Debt / EBITDA ratio

As a result Water Co gets strong ROI, good operations margin, and low and safe debt level:

- ) EBITDA margin is not less than 22%
- ) ROI is up to 13%
- ) Net Debt / EBITDA are insignificant



Picture 4.8.: Ratio analysis, in % or in x-multiple

## 7. Product profitability

Product profitability is a means of evaluating profits on a per-product basis. It can tell us which products have higher or lower margins, and where to put our efforts.<sup>19</sup>

New Product should bring additional value to the Water Co. Additional value may clearly be seen from the table below. New products to bring 0,34 USD per liter of contribution margin in average at 2030. Traditional products are subject to “commoditization” and will lower their contribution margin by 0,02 USD per liter.

Generally, new products are aimed to improve margin for Water Co.

<sup>19</sup> <https://study.com/academy/lesson/product-profitability-analysis-definition-examples.html>

		1	2020				
Unit		Unit		Total	Bottled Water:	Still bottled water	Carbonated Bottled Water:
Volumes	mln liter			712	712	331	380
RSP	\$/liter			0,30	0,30	0,35	0,42
	NP/RSP %			55%	55%	55%	54%
Net Price	\$/liter			0,21	0,21	0,19	0,23
COGS	\$/liter			0,08	0,08	0,07	0,08
Log	\$/liter			0,04	0,04	0,03	0,04
CM1	\$/liter			0,1	0,1	0,1	0,1
	CM1 %			46%	46%	46%	47%
TM	\$/liter			0,0	0,0	0,0	0,0
BM	\$/liter			0,0	0,0	0,0	0,0
CM2	\$/liter			0,09	0,09	0,08	0,10
	CM2 %			42%	42%	41%	43%
Volume Share %				100%	100%	46%	53%
Value Share (CM2) %				100%	100%	42%	58%

Table 4.16.: Product profitability in 2020, USD per liter (only variable costs)

		1	2030							
Unit		Unit		Total	Bottled Water:	still bottled water	Carbonated Bottled Water:	Flavoured Bottled Water	Functional Bottled Water	New products
Volumes	mln liter			1 570	738	599	151	16		4,2%
RSP	\$/liter			0,45	0,10	0,32	0,12	0,67	0,78	1,69
	NP/RSP %			54%	54%	55%	54%	51%	51%	51%
Net Price	\$/liter			0,24	0,22	0,18	0,23	0,34	0,37	0,86
COGS	\$/liter			0,10	0,09	0,07	0,08	0,17	0,18	0,35
Log	\$/liter			0,04	0,04	0,03	0,04	0,08	0,08	0,09
CM1	\$/liter			0,1	0,1	0,1	0,1	0,1	0,2	0,5
	CM1 %			44%	42%	40%	45%	40%	42%	56%
TM	\$/liter			0,0	0,0	0,0	0,0	0,0	0,0	0,0
BM	\$/liter			0,0	0,0	0,0	0,0	0,1	0,1	0,1
CM2	\$/liter			0,08	0,07	0,06	0,08	0,07	0,08	0,31
	CM2 %			32%	31%	32%	35%	20%	22%	36%
Volume Share %				100%	96%	47%	38%	10%	1%	4%
Value Share (CM2) %				100%	83%	35%	39%	8%	1%	17%

Table 4.17.: Product profitability in 2030, USD per liter (only variable costs)

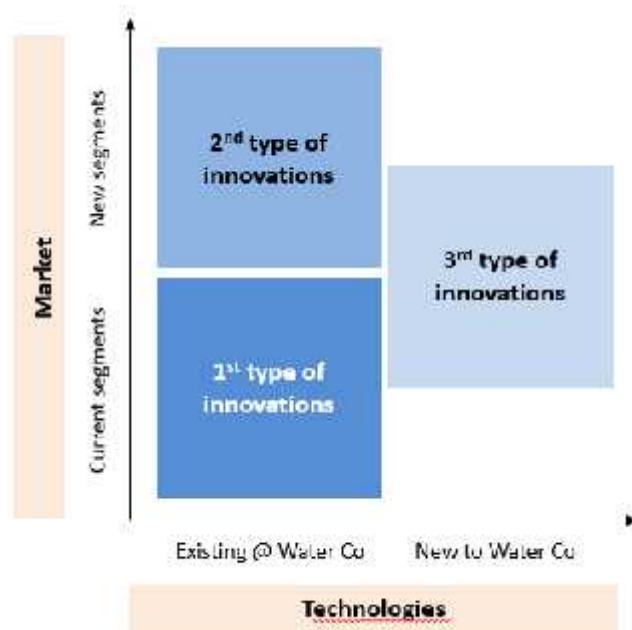


## V. Water Co Strategic roadmap

A strategic roadmap is a time-based plan that help us to define where our business is, where it wants to go, and how to get it there. In other words, it is a visual representation that organizes and presents important information related to future plans. Strategic roadmap is a common approach to planning. They are a link strategic initiatives with business plans and a common approach for top-managers of the Company. The roadmap acts as a focusing device that directs efforts to achieve important goals of the Company.<sup>20</sup>

### 1. Innovations development types

Water Co has three types of innovation, which consist of current and new segments. With the help of the below scheme we can more easily translate our strategy into strategic objectives.



Picture 5.1.: Types of innovations

Further, we will try to explain how each of them can be applied.

**The first type** of innovations is suitable for existing portfolio market share maintenance. We still need to maintain our market share of current product. We just need to make changed in water

<sup>20</sup> <https://yourbusiness.azcentral.com/strategic-roadmap-14662.html>

products, but not in product solution. For example, we can do it with the help of changes in packaging (use tetra pack packaging instead of plastic), changes in stock keeping unit volume.

A stock-keeping unit (SKU) is a scannable bar code, most often seen printed on product labels in a retail store. The label allows vendors to automatically track the movement of inventory. The SKU is composed of an alphanumeric combination of eight-or-so characters. The characters are a code that track the price, product details, and the manufacturer. SKUs may also be applied to intangible but billable products, such as units of repair time in an auto body shop or warranties.<sup>21</sup>

**The second type** of innovations is about changes in water's tastes, but not changes in technology process of water production. This type is about water with different types of tastes, for example, water with the flavor of lemon or water with the flavor of bananas. The process of production is still the same, but the product itself has not significant, but still changes.

According to the Food and Nutrition Board, general guidelines say that women should get at least 91 ounces per day and men should get at least 125 ounces. This includes water from food and drinks.

Water is the best beverage for hydration, but some people don't like the taste of it on its own. Adding lemon enhances water's flavor, which may help you drink more.<sup>22</sup>

Moreover, vitamin C may reduce the risk of cardiovascular disease and stroke, and lower blood pressure, which we can meet very often in nowadays.

**The third type** of innovations is the most innovative, because we are talking about the new product, which requires the new technology for its production. Here we can talk about all other new products: milk alternatives, RTD Tea carbonated (kombucha).

It is needed raw material processing, new technology for water treatment and other things.

For example, such product as kombucha is a fermented, lightly effervescent, sweetened black or green tea drink commonly consumed for its purported health benefits. Sometimes the beverage is called kombucha tea to distinguish it from the culture of bacteria and yeast.

Kombucha is produced by fermenting sugared tea using a symbiotic culture of bacteria and yeast (SCOBY) commonly called a "mother" or "mushroom". The microbial populations in a SCOBY vary. The yeast component generally includes *Saccharomyces cerevisiae*, along with other species;

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<sup>21</sup> <https://www.investopedia.com/terms/s/stock-keeping-unit-sku.asp>

<sup>22</sup> <https://www.healthline.com/health/food-nutrition/benefits-of-lemon-water#hydration>

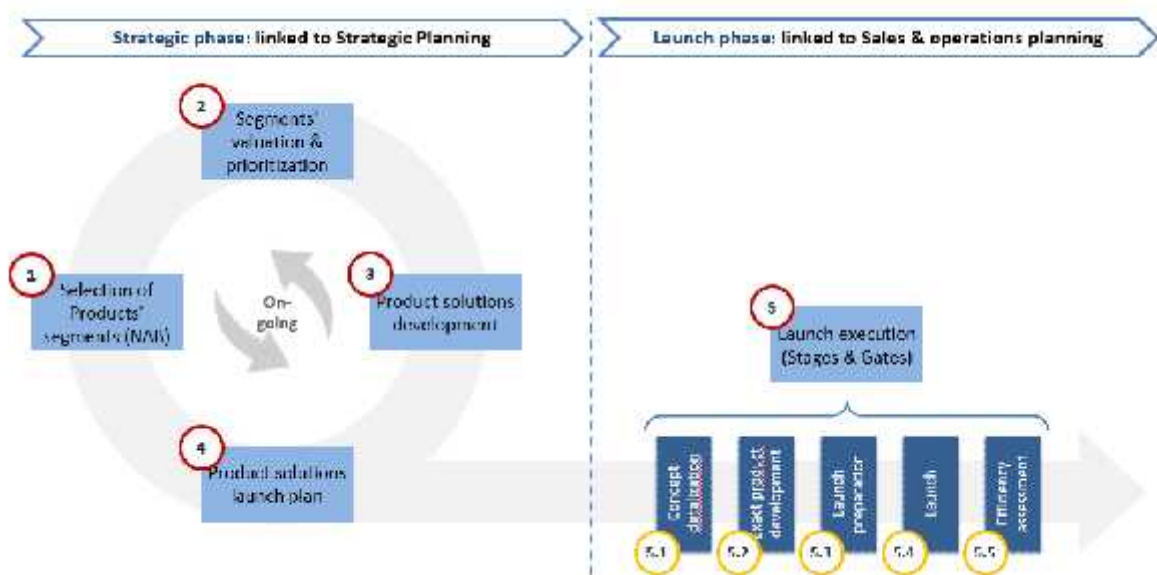
the bacterial component almost always includes *Gluconacetobacter xylinus* to oxidize yeast-produced alcohols to acetic acid (and other acids).<sup>23</sup>

Hence, we can see that second and third types of innovations have main focus of new products development, which are very good for people's health.

## 2. NPD Process and function

With the help of table below we can see the introduction of innovation process that include five stages:

- Selection of Products' segments (NAB)
- Segments' valuation & prioritization
- Product solutions development
- Product solutions launch plan
- Launch execution (Stages & Gates)
  - Concept detalization
  - Exact product development
  - Launch preparation
  - Launch
  - Efficiency assessment



Picture 5.2.: NPD process

<sup>23</sup> <https://en.wikipedia.org/wiki/Kombucha>

NPD function will be placed under the Marketing Director of the Water Co. NPD will be leaded by its head: Head of NPD (1 FTE)

NPD will consist of 3 main groups:

Production Group (5 FTE incl head of the group): responsible for product development, which will include:

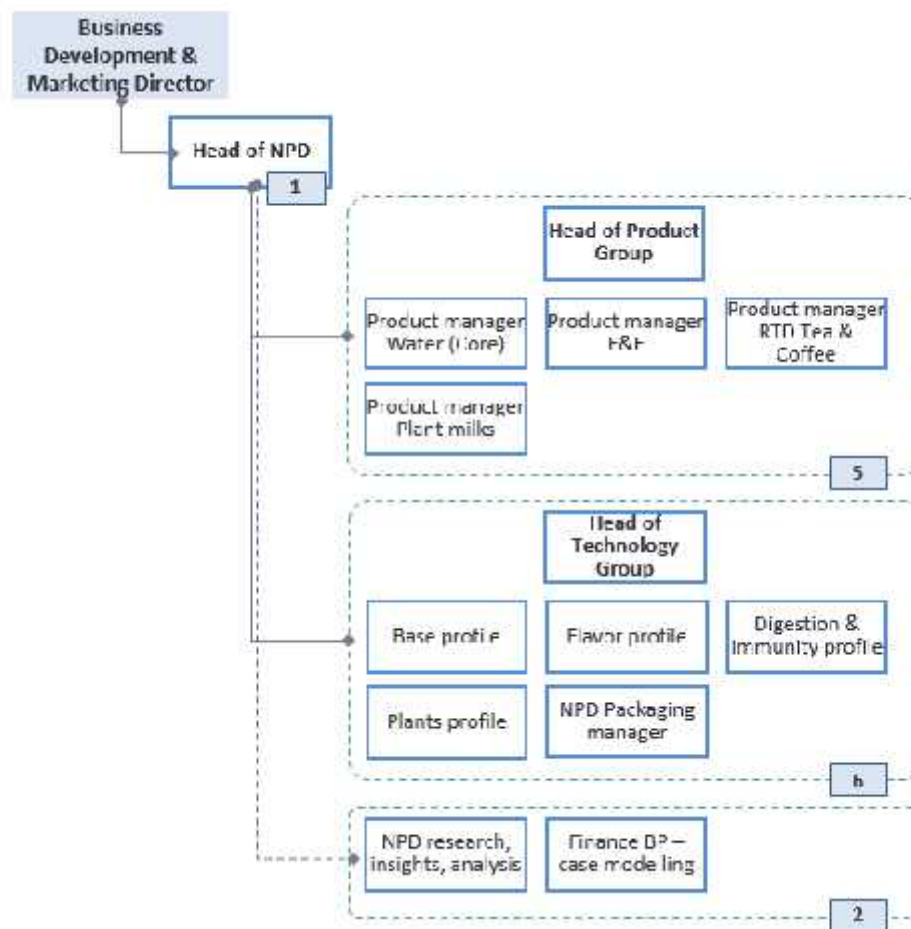
- Water (core) product manager
- F&F product manager
- RTD tea & coffee product manager
- Plant milks product manager

Technology Group (6 FTE incl head of the group): responsible for technological alignment with Production unit

- Base (water) profile manager
- Flavor profile manager
- Functional (digestion&immunity) profile manager
- Plant profile manager
- NPD packaging manager

Support Group (2 FTE): NPD analyst & Finance business partner (will be in Research and in Finance function respectively, will act as business partners for NPD Head)

Total cost of function (14 FTE) in terms of salaries and payroll taxes is assessed as \$0,329 mln per year



Picture 5.3.: NPD function

### 3. Program plan

Water Co plan consists of two existing portfolio product and the new product development.

#### Existing portfolio

We still need to keep and maintain our existing portfolio on the market as we have quite good indexes of market share. We just need to make some investments to our current products, we have to concentrate on trade marketing of current products: new ecological packaging, increasing volumes of water's production.

#### New products development.

In this case, it takes much more time and work to develop and launch a new product. We have to create a design of new product.

In 2021 we are planning to:

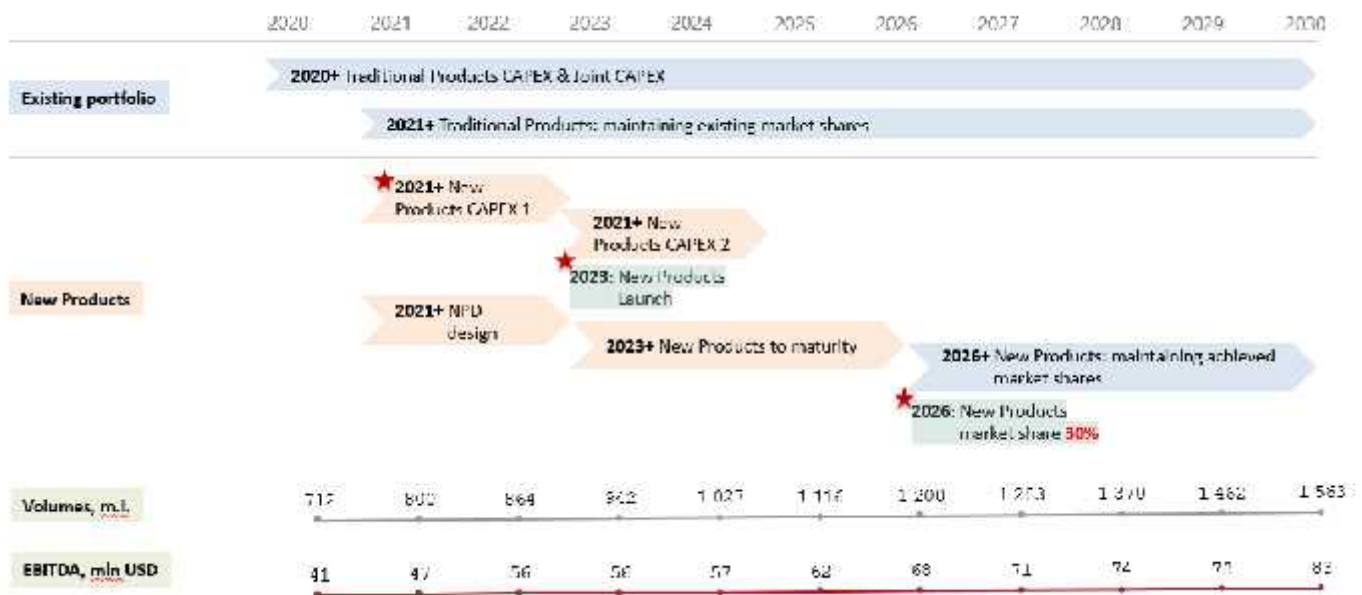
- Customer requirements and innovative functionality design ideas
- Design planning (on this stage our team reviews product design concepts)
- Development (this stage will systematically determine that all agreed deliverables are present and working in the end product)
- Testing & verification (on this stage we have to understand if our product will fit all necessary requirements licensing / water drilling regulations;

In 2023 we are planning to:

- launch a new product (on this stage we have to have finalized and activated marketing and launch plans).
- maintain a new product (on this stage the new product becomes part of the Water Co's portfolio. Ongoing product management ensures the product is subject to continuous upgrades and improvement).
- Maturity of a new product (this stage will show us the product life cycle, where sales will eventually peak and then slow down. On this stage our product has already relatively spread in the market.).

2026 we have to concentrate on maintaining achieved market shares of 30%





Picture 5.4.: Strategic map

Thus, we can see that our program plan 2030 can be implemented as it has an increasing of product volume and increasing of EBITDA.

## 4. Program governance

Project governance provides direction and defines decision-making procedures and metrics for validating impacts to the project. It also enables the project team to deliver on requirements and creates a forum for issue resolution to occur in a timely manner.<sup>24</sup>

Project governance is the infrastructure dealing with responsibility and accountability that surrounds our program plan. It is the framework for making decisions regarding the project.

Our program governance is the action for implementation our program plan and currently we already have a team, which consist of CEO, who has the following subordinates:

- Chief Operations Officer (will be responsible for overseeing operations of the company and the work of executives);

<sup>24</sup> <https://www.pmi.org/learning/library/project-governance-critical-success-9945>

- Sales & Business Development Director
- Supply Chain Management Director (will be responsible for procurement and delivery)
- Business Development & Marketing Director (will be responsible for marketing strategy, is a head of NPD)
- HR Director (f will be responsible for recruitment and other HR issues)
- Director of Strategy (is the one who will be responsible for the program plan implementation)



Picture 5.5.: Water Co executive management structure

However, we need to create a Committee that will be developed and added considering business needs and strategic goals. This new strategic Committee to be added into Corporate Governance structure that will be considering importance of the program plan.

Director of Strategy will be managing this Committee, the main responsibilities of which will be the following:

- Strategic planning and review will be held once a year. On this session will be considered strategy approval under the Chairman of the Committee, who is Director of Strategy. CEO, Sales & Business Development Director and other subordinates if needed will take part in this session.
- NPD approval will be held quarterly. On this session will be considered innovations and new product development approval under the Chairman of the Committee, who is Director of Strategy. CEO, Business Development & Marketing Director and other subordinates if needed will take part in this session.
- Management of strategic projects will be held quarterly or monthly, depends on how will be going on the approving of implementation of strategic road map. On this session will be considered approval of strategic roadmap under the Chairman of the Committee, who is Director of Strategy. CEO, COO and other subordinates if needed will take part in this session.

## VI. Risks and sensitivity

### Risk Register

The risk register is a document used as a risk management tool and for the implementation of regulations, which serves as a warehouse for all identified risks and includes additional information about each risk.<sup>25</sup>

The purpose of this risk register was to identify potential risks through risk identification methods and methods of risk assessment. Risk assessment is performed using the criteria of severity and probability of their occurrence.

The results of this risk assessment represent 5 potential risks for Water Co.

As we can see, Market commoditization in Still, Carb and F&F segments gets the highest value because its impact threatens many things for Water Co Strategy 2021-2030. Launching new product portfolio was taken into account as further action to avoid with this risk.

Less value, but still has the high impact - Portfolio volumes: traditional and New products.

Such risk as increasing of human capital has the same high impact and probability as has Market commoditization in Still, Carb and F&F segments. Actions that can be taken into account for this risk are: market research and hiring process.

Anti-PET legislations has medium impact so as medium probability. The actions for reducing this risk is trial of new packaging.

Increasing cost of IT&Consulting has low impact and probability, but still such risk exists. Actions that should be taken into account is taking part in tenders and doing market research.

ID	Risk Description	Controls / Actions in Place	Risk Owner	Impact	Probability	Risk Map	Risk Response Strategy (IARA)
1	Market commoditization in Still, Carb and F&F segments	Strategy to launch new products	Director of Strategy	High	High	Red	Accept / Avoid
2	Portfolio volumes of traditional and new products	Monitor selling opportunities	Marketing Director	High	Medium	Yellow	Reduce
3	Increasing of Human Capital	Market research, hiring process	HR Director	High	High	Red	Accept
4	Anti-PET legislation	Trial of new packaging	NPD Head	Medium	Medium	Yellow	Accept / Reduce
5	Increasing cost of IT&Consulting	Tenders / market research	CEO	Low	Low	Green	Accept

Table 6.1.: Water Co risks register

<sup>25</sup> [https://en.wikipedia.org/wiki/Risk\\_register](https://en.wikipedia.org/wiki/Risk_register)

Action plan with the timeline and milestones should be taken into account for mitigate all mentioned above risks.

## Risk Map

A Risk Map is a document that manage your project risks.

Risk mapping is a graphic representation of a certain number of risks.

It makes it possible to analyze of the threats and risks incurred by Water Co, putting them under a hierarchized fashion.

This hierarchization rests on certain criteria such as:

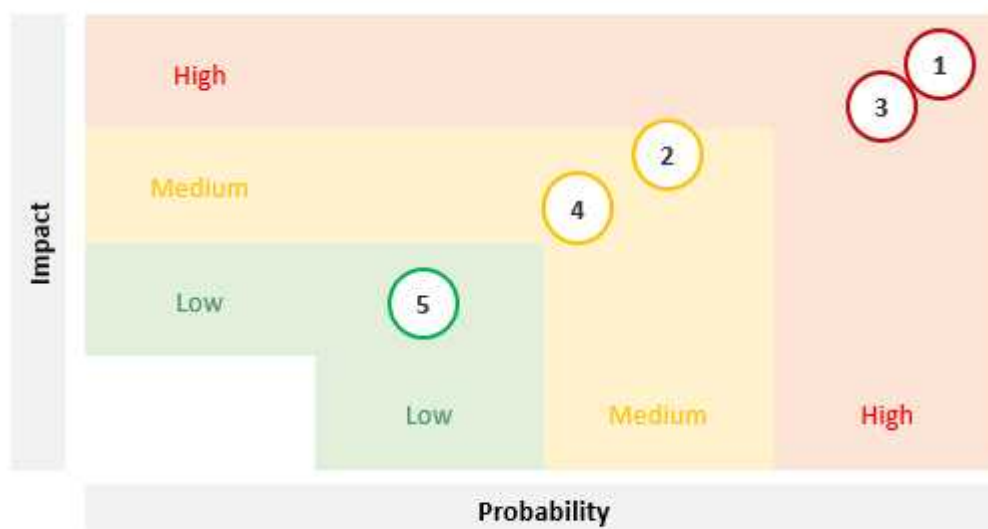
- the probability of occurrence
- the potential impact

As we can see the highest risk for Water Co is Market commoditization in Still, Carb and F&F segments and increasing of human capital. It has high impact and high probability of occurrence.

Such risk as Portfolio volumes: traditional and New products has medium probability of occurrence, but high impact.

Anti-PET legislations has medium impact so as medium probability and is in the yellow zone in risk map.

Increasing cost of IT&Consulting has low impact and probability and is situated in green zone in risk map.



Picture 6.1.: Water Co risks map

Thus, if we know the hierarchization of our potential risks we can understand which of them should be taken into account immediately and with which we can work later.

Target EBITDA 2030: 83 mln USD

Risk factors:

) Market commoditization in Still, Carb and F&F segments

**Market commoditization**

		<b>Market Price still &amp; other carb</b>					
		<b>0%</b>	<b>-0,5%</b>	<b>-1%</b>	<b>-1,5%</b>	<b>-2,0%</b>	<b>-2,5%</b>
<b>Market Price F&amp;F</b>	<b>1,0%</b>	111	99	88	78	68	58
	<b>0,5%</b>	108	97	86	75	65	56
	<b>0,0%</b>	106	94	83	72	62	53
	<b>-0,5%</b>	103	92	81	70	60	51
	<b>-1,0%</b>	101	89	78	68	58	48
	<b>-1,5%</b>	99	87	76	66	56	46

Picture 6.2.: Water Co sensitivity to market price

) Portfolio volumes: traditional and New products

**Portfolio volumes**

		<b>Volume still &amp; other carb</b>					
		<b>-10,0%</b>	<b>-5,0%</b>	<b>0%</b>	<b>5,0%</b>	<b>10,0%</b>	<b>15,0%</b>
<b>New products vol</b>	<b>-10,0%</b>	74	77	80	83	86	89
	<b>-5,0%</b>	75	78	81	85	88	91
	<b>0,0%</b>	77	80	83	86	89	92
	<b>5,0%</b>	78	81	85	88	91	94
	<b>10,0%</b>	80	83	86	89	92	96
	<b>15,0%</b>	82	85	88	91	94	97

Picture 6.3.: Water Co sensitivity to sales volumes

) Increase of G&A expenses

G&A Increase							
Other G&A		IT & Consulting					
		6,0%	8,0%	10%	12,0%	14,0%	16,0%
	0,0%	96	96	95	94	92	91
	2,0%	91	90	89	88	87	86
	4,0%	85	84	83	82	81	79
	6,0%	77	76	75	74	73	71
	8,0%	67	67	66	65	63	62
	10,0%	56	55	54	53	52	51

Picture 6.4.: Water Co sensitivity to overheads

## VII. Conclusion

### Questionable growth

Company Water Co works in bottled water segment of non-alcoholic beverages (NAB) market. Company achieved high market shares in bottled water sub-segment due to its high-quality product portfolio, marketing activities and strong sales force. Getting the ceiling in terms of market shares as well as Current COVID situation - significantly slows Water Co growth rates. If in earlier times Water Co grew higher faster than market average growth, currently it is perceived that Water Co is able to grow only at market pace

### Strategic analysis: search for opportunities

Water Co management needed strategic analysis, that will bring an insight of what can be done to improve the situation. Strategic analysis performed by Project team revealed “bad” and “good” news for the Water Co.

- Among “bad” news there are all that bring Company to the edge of the beginning of lowering operating margins year-over-year:
  - bottled water “commoditization” (water price reducing, lowering value proposition to customers)
  - growing cost of G&A
  - anti-PET activities
- Among “good” news there are some possibilities for the Water Co:



- develop new NAB-products, set the ambition to achieve high market shares in new product segments using Water's Co strong value chain
- develop E-com
- use another packaging

Below we can see an opportunity to be chosen against addressing threats of Water Co:

	Growth	Margins	
<b>Threats:</b>			
Commoditization		●	Directly affects margins. Growth is not feasible
G&A cost growth		●	Directly affects margins
Anti PET movements	●	●	May affect growth
<b>Opportunities:</b>			
★ New products	●	●	The only option that directly affects growth
E-com development	●	●	Uneven effects to be assessed apart of this project
New packs for new products	●	●	May affect growth, but negatively affects margins

Picture 7.1.: Opportunity selection

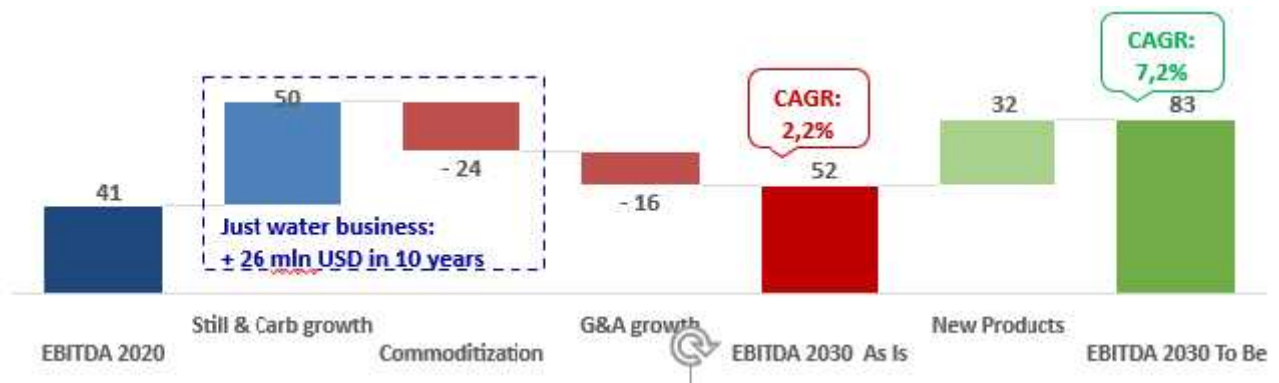
## Market research and assessment: choose among booming segments

- Water Co currently works in Still and Carbonated bottled water segments:  
62% of NAB market by volume  
42% of NAB market by value
- Water Co will add Functional and Flavored bottled water segments as well as Ready-To-Drink Coffee and Tea Segments and Milk Alternatives segment:  
+14% of NAB by volume, this will give 76% of total volume  
+22% of NAB by value, this will give 64% of total value
- New segments considered to be more valuable, thus, will add more value to the Water Co with less volumes to be sold.

## Portfolio modelling and assessments of possible results

Project team modelled Water's Co financial results in 2 Scenarios:

- **Scenario 1:** Accept commoditization & G&A growth, continue to work only with bottled water
- **Scenario 2:** Scenario 1 + portfolio changes and considering target market shares in new product segments



Picture 7.2.: Alternative scenario

### Program planning and execution

Project team developed Program roadmap as well as introduced approach of governing the Program. Strategic goals for 2021-2022 are:

- Maintain current market shares of bottled water
- Nurture NPD function
- Develop at least 2 products per each target segment (10 products / 5 segments) to be ready for launch in 2023
- EBITDA 2021: \$47 mln, EBITDA 2022: \$56 mln
- Volumes 2021: 800 mln liters, Volumes 2022: 864 mln liters