

**Healthy nutrition company.
Investment project in Ukraine**
Capstone project

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Gratitude

I would like to express my personal gratitude to all Kyiv School of Economics team, special thanks to all Business Education teachers, lecturers and coordinators. Thank you for trying to build foundation for strong and innovative Ukrainian economy. It was really exciting learning from all of you.

Executive summary

Happy eat is a nutrition company which will focus on production of different nutrition and development of healthy nutrition culture among Ukrainians.

Key problem: we are trying to solve following two problems (i) to change the customers perception that imported products are better than Ukrainian – and in such way help Ukrainian economy to develop; and (ii) to develop a culture of healthy nutrition among our population

Mission: to make Ukrainians healthier and happier by giving them excellent-quality and good-tasting food products.

Value proposition: high-quality, unique and great tasting, healthy nutrition, produced by Ukrainians in line with best world quality standards.

In substance, we are a cereal bar producing company, focusing on health nutrition. We will start with production of cereal bars, made from high-quality ingredients and by application of all high-quality standards (with implementation of ISO 22000). Production facility will be located in Ukraine. At first years of operations we will focus on Ukrainian market and majority of our sells will be performed through indirect retail chains.

Our **goals** are the following:

- Customer retention rate not less than 90% by the end of Y1 - we will apply special loyalty program for our customers, and we will communicate with them through mobile app.
- NPS – not lower than 9 for our products – we will also measure it through mobile app.
- Market share of 10% by the end of Y1 of business.
- To reach 8% NI margin by the end of Y2 of business.

Key financial data	Units	2023	2024	2025	2026	2027
Sales	UAH	21,595,000	24,945,900	28,814,940	31,766,774	34,688,434
NI	UAH	23,095	1,985,500	3,800,909	4,996,529	6,128,047
<i>NI margin</i>	<i>%</i>	<i>0%</i>	<i>8%</i>	<i>13%</i>	<i>16%</i>	<i>18%</i>
Total Cash Flow	UAH	(3,287,236)	1,870,459	3,218,566	3,768,901	4,322,010

Required investment: UAH 9,250,000.

Section 1. Diagnostics

1.1. Introduction

1.1.1 Problem statement

Key problems which we are trying to solve by launching this business are:

- Customers perception that imported goods are always of higher quality compared to domestic.
- To develop a culture of healthy nutrition among our population.

Latest studies show that despite growing popularity of domestic products and increase in local production of nutrition, we still see that Ukrainian customers tend to believe that imported products is a self-evident that such goods are of higher quality, moreover, the average number of Ukrainian consumers, who prefer domestic goods over imported was decreasing starting from 2019 and in 2021 reached 62%, with annual decrease rate equal from 5% to 7% [1].

The above trend in combination with YoY increase by 33% in average sum of the Ukrainians consumer's cheque (UAH 864 per one purchase for 2021) indicates that people with increasing revenues still prefer imported goods over domestic.

We consider that such trend in long-term perspective will only have negative impact on Ukrainian economy – thus it is very important to develop domestic production of high-quality products to shift the customer's perception from “Imported is better than local” to “Ukrainian means qualitative”.

Another problem which we are trying to solve is health issues of Ukrainians triggered by bad nutrition. In particular, the Ukrainian Societies Health Center studies say that cardiovascular disease is the most common reason for death [2]. Statistics say that over 64,3% of deaths are triggered by cardiovascular diseases. The main reasons for such dramatic figures are high blood pressure, poor nutrition, cholesterol and high mass index.

All these risk factors can be reduced through correct and healthy nutrition – and this is what we are trying to do. At first, we will begin with selling healthy granola bars, but we will as well give information to consumers how it is important to eat healthy – through aggressive marketing campaign.

At next stage of our company's growth, we will broaden our product portfolio – we will produce healthy breakfast, smoothies, dairy products etc.

All our products are developed in collaboration with professional dietologists – in order to make sure that necessary macronutrients are in sufficient quantities for energetic and healthy products.

1.1.2 Mission, Vision, Goals

Below we describe our mission, vision and goals – the answers to such basic questions as “what we want to do, why do we exist”, “how we want our customers to see us in future” and “what we want to achieve”.

Mission: to make Ukrainians healthier and happier by giving them excellent-quality and good-tasting food products.

Through improvement of healthy eating habits, we grow and develop culture of healthy nutrition. We strongly believe that key to happy lifestyle is healthy nutrition culture. Thus, providing high-quality and good tasting products to our consumers and teaching them what is good and healthy nutrition – is our way to make our people happier.

Vision: we want to become an essential partner to our customers in their daily nutrition.

We see ourselves as one of important contributors to development of healthy nutrition culture by providing our customers both with theoretical (through aggressive marketing campaign) and practical instruments (i.e., our products) on how to improve our customers eating habits. Thus, we want to become guiders for our customers on their journey to healthy eating culture.

Goals: we have selected the following goals to be achieved within five years our business:

- Customer retention rate not less than 90% by the end of Y1 - we will apply special loyalty program for our customers, and we will communicate with them through mobile app.
- NPS – not lower than 9 for our products – we will also measure it through mobile app.
- Market share of 10% by the end of Y1 of business.
- To reach 8% NI margin by the end of Y2 of business – we believe that applying effective marketing strategy and planned pricing-policy, not focusing on the

2. Business model description

1.2.1 Analysis of Business model based on Canvas Business Model

Key partners Suppliers of raw materials Logistic service Retailers Warehouse lenders	Key activities Production Sales Key resources Capital Labor Equipment	Key values Healthy and tasty nutrition produced by Ukrainian company Stylish premium design 100% natural ingredients	Customer relationships Mobile app Loyalty programs CRM system implemented Channels Indirect: Retail chains Direct: Ecommerce	Customer segments Urban citizens aged from 25 to 45 with healthy lifestyle attitude
Cost structure Variable cost: raw materials Fixed cost: salary, rent, other operating cost		Revenue streams Sales of finished goods		

Table 1. Canvas Business Model

Since we are clearly in our statements that we are a company, which is producing high-quality food and we care about our consumers, it is important for us to make sure that our key partners, such as suppliers of raw materials and logistic operators are selected with great care and our relations with them will be managed carefully. Logistic operators today are even of greater importance because after the war started in February 2022 – all existing logistic chains were disrupted and we will have to search for new means of delivery of our ingredients. We also consider our retailers as one of our key partners – thus it is important to select only those retailers who are considered to be as “trusted retailer” by consumers, we will make sure that our product won’t appear on shelves of the stores which are not in line with our mission and vision – bars, meat stores, confectionary, etc.

We need such collaboration with our partners to make sure that our key activities are functioning properly. For this purpose, we believe that key resources which will be involved in our business are: capital – i to fund our business and to make sure that we will be able to contract best-quality suppliers of raw materials, developers of Mobile app and high-professional logistic operators; labor – our dietologists, main technologist, sales managers; and equipment – for production of high-quality

products we will use effective and high-quality equipment, we also plan to obtain ISO 20000 certification.

Considering that we plan to focus on healthiness of our products – it is important that our target customers have attitude for healthy lifestyle. For our customer retention we will have CRM implemented and we will have Mobile app in place, and we will ask retailers to share the information on sales of our products on a regular basis. Based on the results of received feedbacks and gathered data – we will adapt our products and marketing campaign accordingly.

1.2.2 Analysis of operating model based on POLISM

Below we provide the summary of how our company will function on operating level.

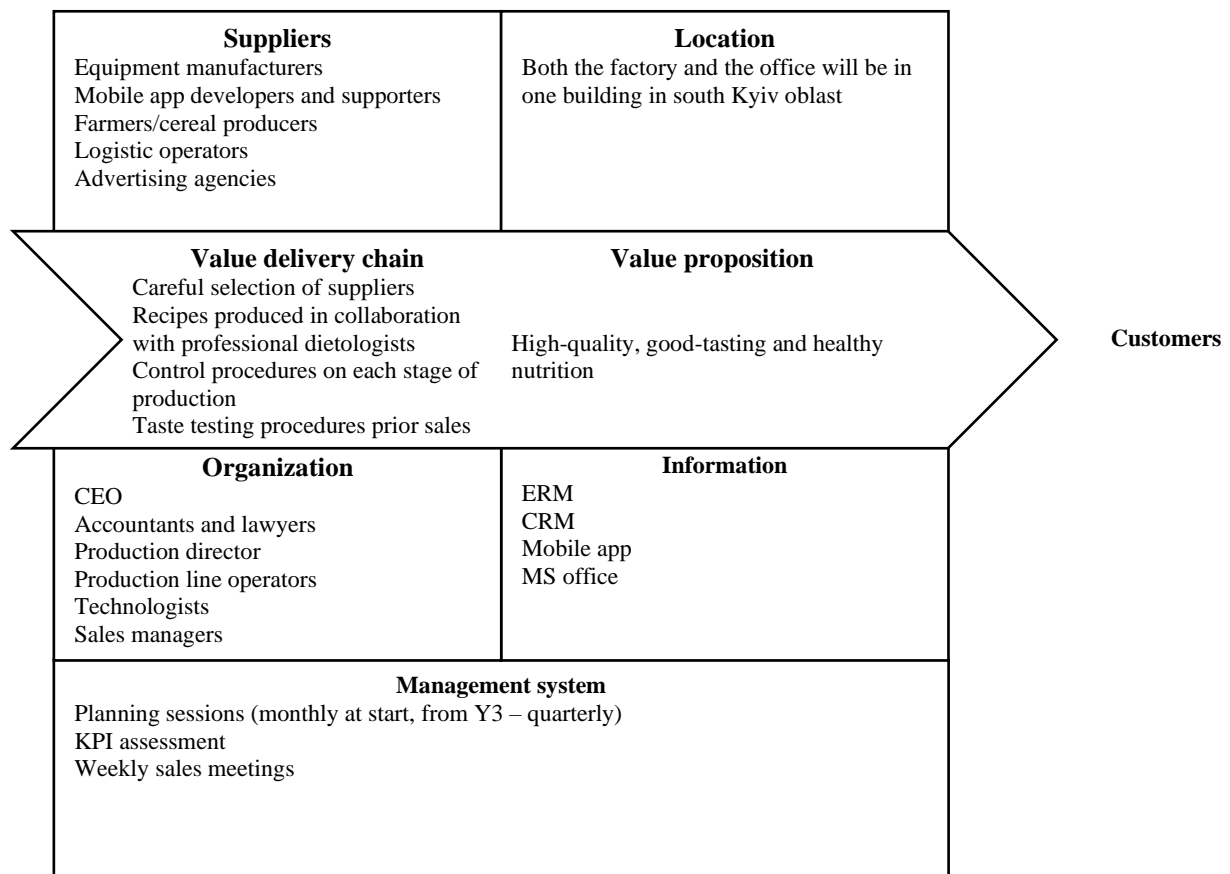


Table 2. POLISM operating model

Our key value proposition – is production of high-quality, good tasting and healthy nutrition. Since we are a food production company, we will have a lot of different suppliers: farmers, cereal producers, logistic operators. Moreover, considering that quality of our product is key to our success – we will have to perform regular screening of our suppliers and we will have quality control procedures on every stage of production.

Our team is also very important for us – we will have CEO, who will be responsible for general strategy and for decision making as to development of new products. At current stage, we produce

limited variation of cereal bars – thus we need only few production line operators and technologists. Dietologists will be subcontracted in order to define a final unique recipe of our product.

Our production facility and office will be located in one building – this is needed for better quality control procedures in place. For running our business, we will need accounting system, customer relation management system – we strongly rely on our relations with customers, we will have developed Mobile app to interact with our consumers; we also need some MS office tool to do our daily office work.

Management system will be organized through quarterly planning sessions – we are a start-up, thus we will have monthly planning sessions – in order to be able to react rapidly in case if we are moving in wrong direction. Starting from Y3 of our business, when we plan to come to positive NI margin – we will have quarterly planning sessions. We also will have KPI implemented (both financial and project) and weekly sales meetings – to check if our sales are keeping up with the plan.

1.2.3 External analysis. PESTEL

Further we are going to analyze external factors which are going to influence our business by applying PESTEL model.

POLITICAL

Political factor is not significant for our business. As production business we have to be sure that our business can work under certain government regulations, can afford paying taxes under respective tax rules. Possibility to conclude foreign contracts and import/export regulations.

As for Ukrainian business, which will be working under Ukrainian jurisdiction – we consider that our business will be able to satisfy its needs under current Ukrainian politics regime. However, today we are at war- thus political regime may change- and accordingly – the simplicity of doing business. We have to monitor how this situation evolves in future.

ECONOMICAL

We believe that this is a strong factor which is likely to influence our business – in particular, because of war it is expected that Ukrainian economy will shrink by 45% or more.

At the same time, we believe that since our product is product of a special segment – with higher prices and for people who tend to live healthier – such shrinkage won't have significant effect on market of healthy nutrition products.

However, we still must consider this factor and adapt our business accordingly – to see how we can maintain sales in planned volumes.

SOCIAL

Social factor is significant for our business. Positive – trend for Ukrainian products will increase because of war – all domestic businesses will be strongly supported by Ukrainian society. Additionally, trend for health will remain.

Among negative factors – as a result of war significant number of Ukrainian have moved to other countries, as of 21 June 2022 – the number of individuals who left Ukraine estimates to over 5 mln

people [3]. Significant number of people are willing and actually planning to return to Ukraine, different studies have it from 40% to 90% [4]. Clearly that today there is a lack of data on the change in the population, so it is difficult to predict how the cities of Ukraine will change after the end of a full-scale war. Due to the fact that mostly women, children and the elderly have gone abroad, the gender and age structure of the population in Ukraine may change, which will also affect urban development.

All this factors in combination are likely to have effect on our sales.

TECHNOLOGICAL

This factor is important for us, we plan to use digital technology (Mobile app) for communication with our customers. We plan to track satisfaction, preferences and retention of our customers.

We will interact with our customers through gamification – letting people to get achievements for using our app and buying our product. We also plan to use big data analysis tools to track our sales through indirect distribution channels.

Thus, embracing technological developments in our business is a must.

ECOLOGICAL/ENVIRONMENTAL

No major impact from this factor – except for the change in ecology, which consequently changes quality of raw materials and supply possibilities.

Additionally, possible issues related to waste of our business – since we are production facility. Anyway, since we are an ethical business, who holds such principles as social responsibility, sustainability – we have near zero waste production.

LEGAL

We see no significant impact of this factor for our business. The key impact which could be outlined – is legal requirements to our products, but anyway, we are considering to getting ISO 20000 certification – thus, we are sure that we will be in line with all legal requirements.

1.2.4 Market review

Ukrainian consumers prefer natural foods. According to the surveys, 75% of Ukrainian buyers will check the ingredients on the package, while 47% of buyers are willing to pay higher prices for natural products.

Overall size of Ukrainian confectionary estimates from UAH 15 bln to UAH 20 bln [17]. Natural sweets in total have up to 10% of relevant market. Below we provide more detailed structure of Ukrainian market of natural sweets.

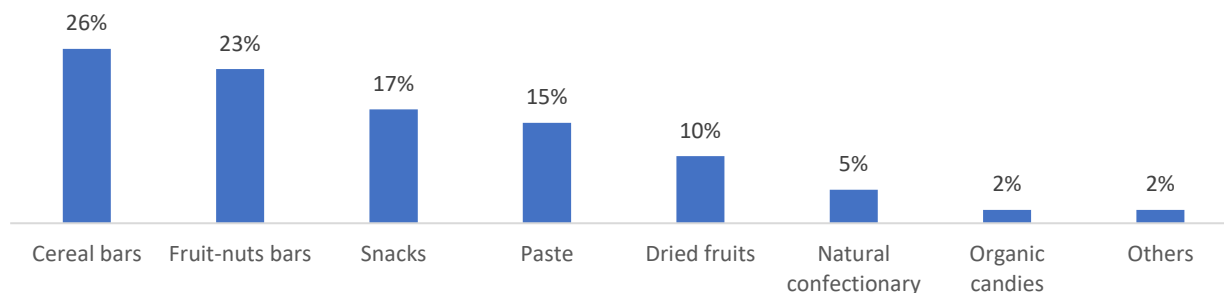


Figure 1. Segmentation of Ukrainian market of natural sweets

Our business is presented in the biggest segment of the natural sweets market – in cereal bars segment. Before the war, the high demand for healthy cereal bar products was expected to boost the growth in Ukraine. In general, granola bars help to build stronger bones, increase skin quality, and control diabetes while lowering blood pressure; thus, the growing demand for granola bars consequently was expected to drive the industry growth. As of 2021, the Ukrainian cereal bars market size estimated to UAH 326 mln.

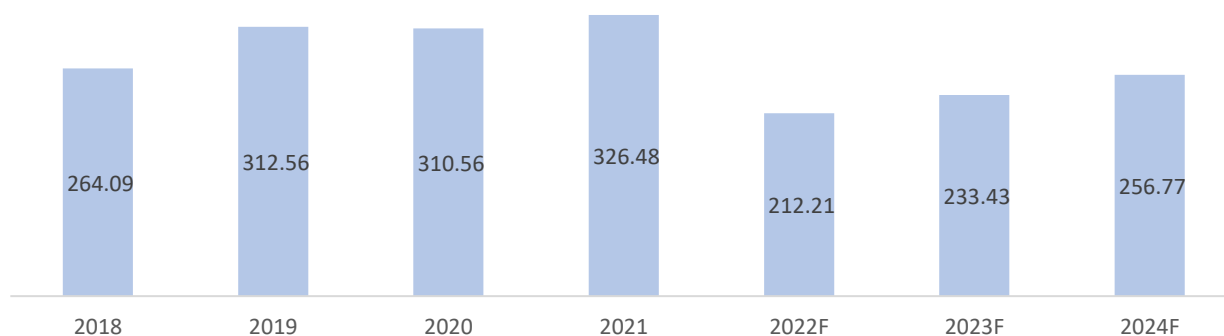


Figure 2. Ukrainian cereal bars market size

During last 5 years the market demonstrated that demand is inelastic for this product, because even at the year when pandemic started, it reduced less than for 1%, compared 2019 – which means that the product is popular among consumers.

At the same time, we expect that market will shrink significantly in 2022 – as a result of war. We assume that it may fall up to 30% from the 2021 – and this will clearly influence how market players behave, how they retain their customers and what market strategies do they apply.

The presence of cereal bars in chain stores throughout the country has grown significantly over the past few years, which has helped to attract more and more new customers in different regions.

A significant number of domestic producers are represented on the Ukrainian bar market: LLC Medoviy Shliah, EatMe, Grengy, and others. However, majority of the market is owned by imported producers: Axa (Sweden), CORNY (Germany), Ba (Poland), Fitness Nestle (Switzerland).

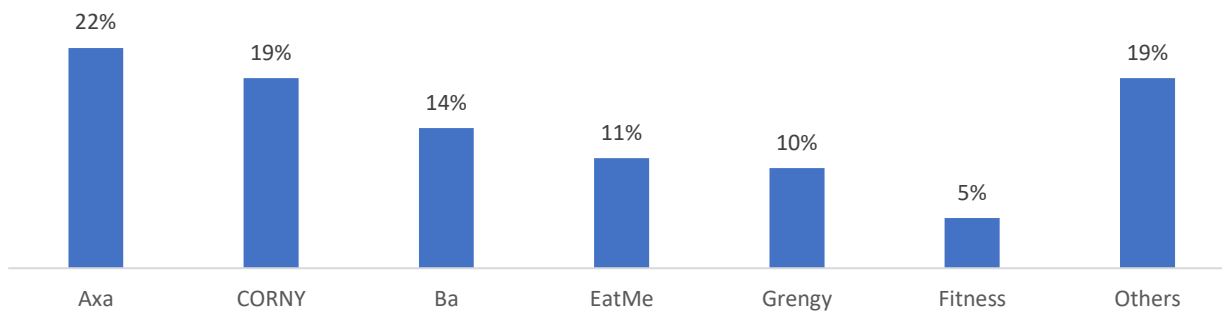
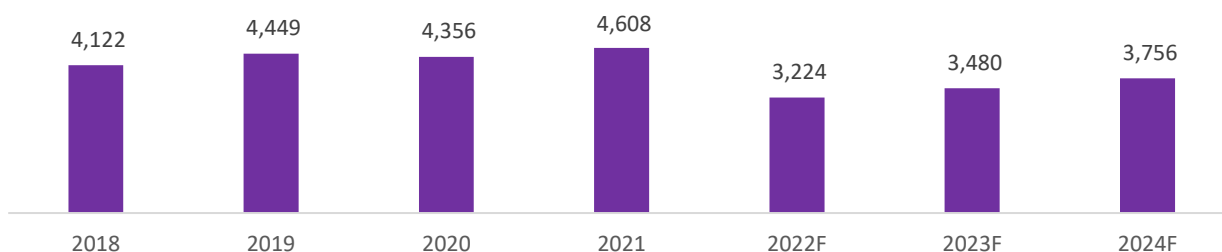


Figure 3. Main producers of cereal/fruit bars in Ukraine

We see some market leaders, who hold relatively big part of the market, however, the market is highly competitive – we have many players (small/medium sized producers) and new players are entering



the market every year. I assume that this trend will stop after war, but after the trend for growing market and new entrants in the industry will continue.

Figure 4. Granola consumption, tones

From the figure above we can see that consumption of all granola in Ukraine was growing constantly (except for pandemic year 2020). Thus, the demand for the product is more likely to be inelastic and is growing constantly.

The main sales channel for cereal bars are modern retail grocery chains. Also, cereal bars can be bought in small stores, vending machines and online [1].

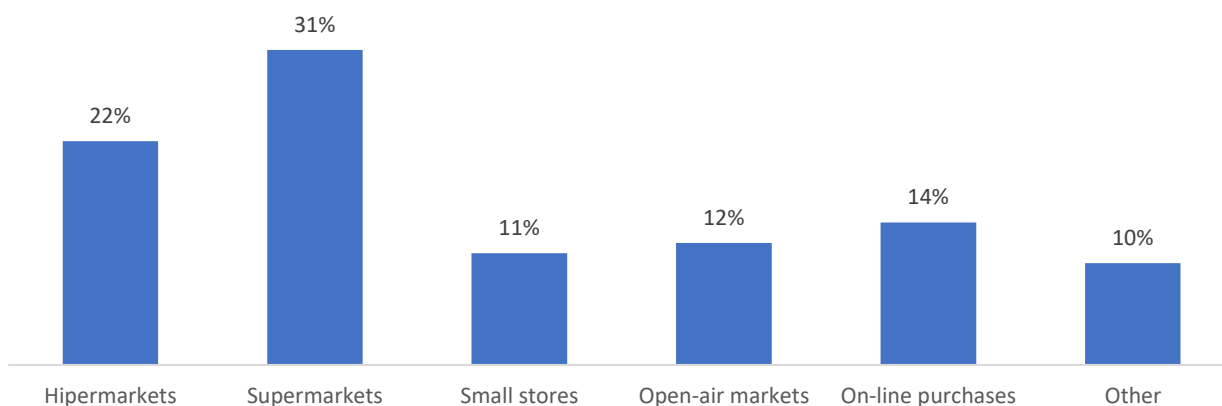


Figure 5. Cereal bars sales distribution channels

As to consumption habits we see that the leading reason why consumers eat cereal bars – is tend to health nutrition (31%) and aim to lose and control body weight (25%).

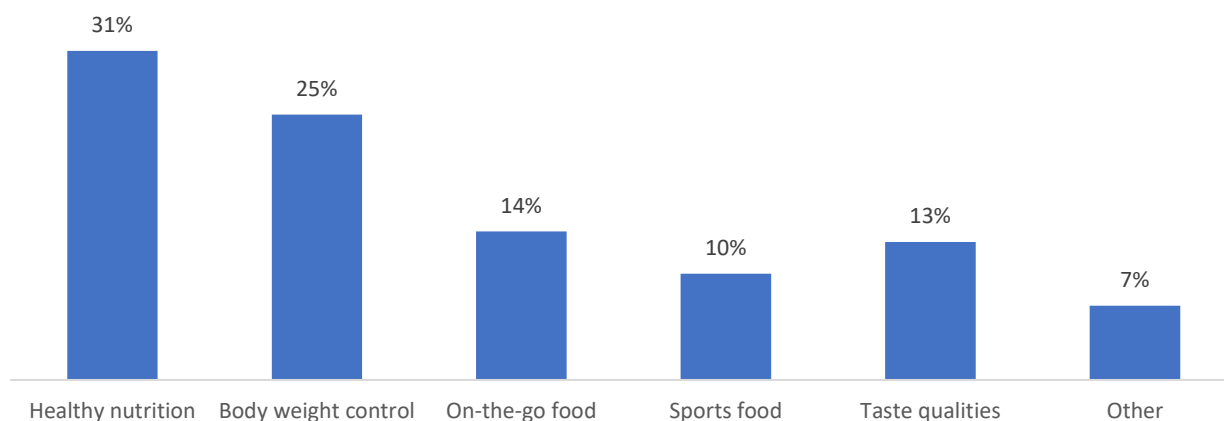


Figure 6. Motives for selection of cereal bars

From the above graph we see that health and convenient on-the-go food in total make more than 60% cases why people choose to have a cereal bar. It is interesting that taste is not so important for consumers (ability to eat on-the-go is more important than taste preferences).

At the same time, price is still a key criterion when people preferring one cereal bar over another – more than 50% say that customers make their decision in favor of one or another brand based on pricing. At the same time, more than 40% of consumers make their preferences based on (i) taste – 26% and (ii) package – 17% [7].

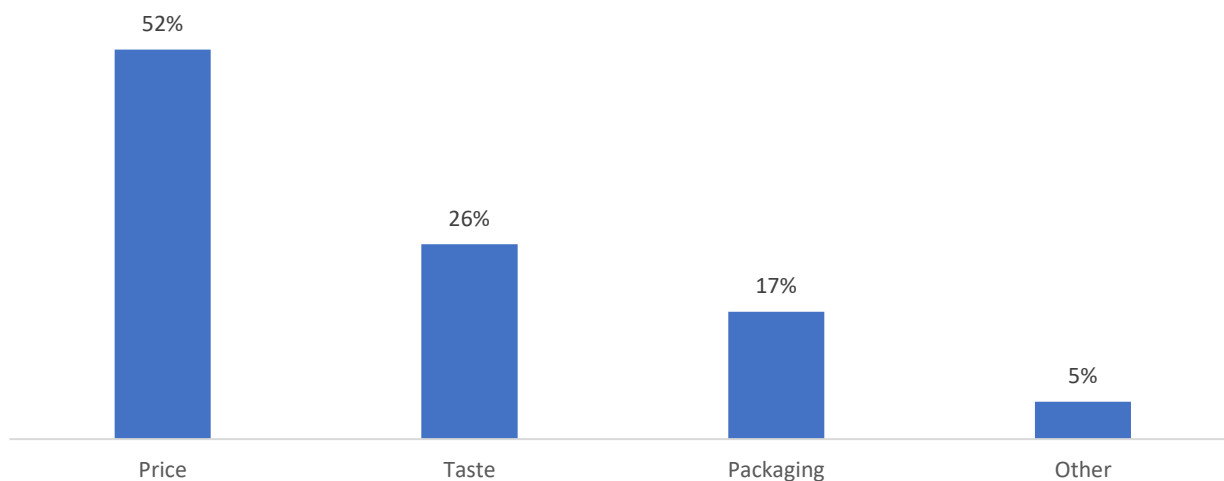


Figure 7. Key factor for taking decision

With the growing popularity of bars among consumers, it is expected that more small and medium-sized industries will appear on the market. In addition, the product line of major players will be expanded. Insufficient market saturation and growing interest on the part of buyers in various snack formats are the main conditions for future growth in bar sales. We also expect a wider use of non-retail distribution and promotion channels, which will positively affect brand awareness and purchase frequency. Cereal bars will continue to attract new consumers who want to try something different from traditionally popular snacks (cookies, chocolate bars).

Therefore, we see that both demand and supply are growing, thus market has not reached its equilibrium yet. Nor it could be characterized as a market monopolistic competition tending to oligopoly.

1.2.5 Porter's Five forces

Below we apply Porter's Five Forces for understanding the competitiveness of the cereal bar business environment, and for identifying the strategy's potential profitability. The analysis is based on reviewing the following five forces which shape every market and every industry in the world: Bargain power of suppliers, Bargain power of customers, Threat of new entrants, Rivalry, Threat of substitute products.

Bargaining power of suppliers

What power/how much power supplier has in terms of increasing prices or decreasing quality of raw materials which further will have effect on reduction of industry's profitability.

We see that there is a big number of different suppliers of raw materials – our key resource for production. Moreover, these suppliers have similar products and in theory it would be easy to switch from one supplier to another. Currently we assess this power as **low** as its possibility to effect cereal bar production industry profitability

Bargaining power of customers

This power refers to what pressure end-users can exert on businesses in order to get them to provide higher quality of products, better customer service and lower prices.

Number of customers/consumers is significant – and we see that that consumption is growing. AT the same time, all brands are trying to differ them from one to another, therefore we see that there is certain product dependency.

In any case if our consumers percept that our prices too high or that we are producing our products with bad quality – they might switch to another supplier or they might require discounts/refunds. Therefore, we assess the customers bargaining power as **high**. It is important to communicate directly to our consumers and to perform respective marketing activities to increase brand awareness.

Threat of new entrants

This threat measures how likely it is for a new entrant or entrants to enter the industry. New firms tend to put downward pressure on prices, upward pressure on costs, and an increased necessity for capital expenditures to compete.

Considering that we are entering the market with limited number of players – at this level there is high investment cost required. Additionally, you need to undertake significant effort to get respective certification to prove that you have product of highest quality.

Thus, threat of new entrants is **medium**.

Rivalry

This market is still at the growing stage. Based on our analysis we see that there is no clear leader – significant part of market has no single preferred producer of cereal bars – market share of key players is less than 50%. Competitors are trying to steal profits and market shares from one another.

Therefore, rivalry is **very high** at this market.

Threat of substitute products

Substitutes refer to the availability of a product that the consumer can purchase instead of the industry's product.

In healthy nutrition industry there are plenty of different alternatives what consumers can choose to eat: snacks, muesli, etc. Thus, we believe that threat of substitutes is **high**.

1.2.6 SWOT analysis

We use SWOT analysis on order to assess external and internal factors that have significant impact on our company. Therefore, below we sum up our strength and weaknesses – internal factors which influence our business operations; and opportunities and threats – which are by substance external factors.

Strengths

- Full production cycle – we strongly believe that this is our strength, since we are able to control the quality and the whole production process (we aware that some companies/brands produce their product by sharing equipment with other brands, this is not our case – we plan to differentiate, and this is one way to do it).
- Client oriented company – we strongly rely on the clients opinion about us and clients awareness. Since we are trying to focus on the customers, who are not price-driven, it is important for us to produce highest-quality product and to give exceptional client service. For this purpose we develop Mobile app to communicate with our clients and we will have internal personnel who will be always ready to assist to our customers if they would need any clarifications.
- High-quality and adaptable equipment. We will purchase and install the equipment which is best suitable for our purposes and which allows to produce our finished products with lowest possible waste. Additionally, if we see that our company is not able to sell the bars in the planned amount – we will be able to switch to production of other products, like natural sweets or paste.
- Premium package. We will use high-quality and stylish package, stressing that our product is Ukrainian made and produced with high-quality. Our package will attract customers attention which will have positive impact on the demand

- Quality control procedures at each production stage. Since for us it very important to make a high-quality product, we will have controlling procedures at each stage of production to assure that our products are at the best quality.
- Good-tasting bars. This is basically one of our important strengths, because we believe that besides being healthy, our product also needs to be very tasty to become popular among customers. We will run taste testing procedures prior issuing the product on the market
- Recipes developed in collaboration with dietologists and nutrition experts. We are producing a healthy product, thus the correlation of macronutrients (proteins, fats and carbohydrates) are in sufficient quantities for energetic and healthy products.
- Additional financing is considered in project evaluation. We understand that we with retail chains, majority of which are known with establishing strict payment terms and significant post-payments period, therefore, we will permanently have positive accounts receivable. For purposes of financing of our operating cashflow – we will have additional funds to exclude possible cash gaps.
- Supplier screening processes. We will have a number of various suppliers with internal scorings in order to be able to order our materials from different companies/farmers.

Weaknesses

- Lack of good quality raw materials – we strongly rely on high quality of our product, thus in case if lose our suppliers or our supplier start to produce product with unsatisfactory quality.
- Strict payment conditions from distribution channels. We are aware that our distributors tend to provide long-period for post-payment of our shipments. In case of get too long period or too big amount on our accounts receivables – we may face a situation when we have a cash gap.
- High prices. We are establishing prices slightly higher above the average market price- this is our pricing policy. At the same time, we know that more than 50% of consumers on the cereal bar market are price driven. In case if we fail to attract other customers due to our key values proposition (high-quality, healthy, tasty, stylish, and modern) – we may not be able to reach our plans.
- Narrow product portfolio. Some consumers like to stay with one brand, who provide a whole variety of healthy food. Considering that we are producing only cereal bars – this may be the factor which will prevent us from being able to retain our customers.

Opportunities

- Trend for healthy food and nutrition. We see here a growing market, and growing trend. The demand and supply both are growing (if excluded the war and consequent recession factors). In view of this, we believe that this is a good opportunity to enter the market of healthy nutrition and its segment of cereal bars (as it is now the biggest segment of confectionary natural products).

- Ukrainian market will grow. We are sure that after the war is ended, Ukrainian market will grow in rapid steps – this is why getting ready and launching the product in the nearest future is a good opportunity to enter the market.
- Trend for Ukrainian. Due to the war, we see that Ukrainian consumers have clear trend for supporting Ukrainian business – people are trying to buy more Ukrainian products. Additionally, there is a strong government support for businesses (existing and new) [12].

Threats

- Unstable political and economic situation. As we are preparing this business plan, Ukraine is at active war, trying to protect our country. Such event certainly triggers economic crisis, Despite that financial and banking systems in Ukraine are managing to keep working [13], we assume that Ukrainian economy may drop up to 45% because of war. In view of this – we understand that customers buying power will fall – which is clear threat for our selling plans.
- Increase in final prices due to increase in RM prices. This will either have effect on our profitability: through increasing our COGS or through reduction of our sales if we will increase our prices significantly.
- New market entrants. Considering that this market is characterized as monopolistic competition, and that there are not very high barriers to entry this market (basically, one can produce cereal bars at home and try to sell it via any online marketplace) – we believe that there is a threat of new market entrants.
- Low brand awareness. We strongly rely on marketing. If our customers won't know about our brand and our product – we won't be able to sell our product.
- Demographic – significant part of Ukrainian has left Ukraine. This is a threat for our business because if our people won't return home – we won't have any demand for our product (as studies say, more than 60% of customers for these healthy snacks are women, and due to war, mostly women and children have left Ukraine). However, based on current research, up to 80% of people who left the country plan to return home.

For detailed summary of SWOT matrix please refer to supplements section.

1.2.7 Conclusion

Based on our analysis we see that we have a competitive market which tends to become an oligopoly – we see that part of brands are getting bigger parts of the market. At the same time, this market is at growing stage, demand is increasing and trend for healthy lifestyle will remain – this is why it good market to join. We see that majority of consumers focus on prices (53% of consumers make their choice based on final price on the shelf), but significant part of consumers decides what product to choose based on packaging and taste preferences – we will focus on these customers.

All our customers have one trend in common – attitude to healthy lifestyle – we will make sure that our products are made of excellent raw materials in line with best production standards.

Majority of our weaknesses are covered by our strengths: high prices – good taste, high-quality food, premium package (to make sure that customers have perception that such pricing is reasonable); lack of good quality of RM – we will have supplier screening procedure in place – and in case if we see some problems with current supplier, we will switch to a different supplier; strict payment terms from distribution channels – we will cover this issue by having additional equity financing, which we will use for NWC financing.

Our solution on this market – to propose a cereal bar, which will be covered in stylish package, produced out of high-quality raw materials, and which will help our consumers to care about their health.

Pricing strategy – we will set prices slightly higher than average market price for cereal bar. To make customers perception that this product is actually

Section 2. Planning

2.1. Marketing plan

2.1.1 Market segmentation, target and positioning

Segmentation

We have already performed some market studies and have established the following:

- Major consumers of granola/cereal bars are between 21 and 30 (more than 60%)
- More than 75% are citizens of urban areas
- 63,3% of cereal bars/granola consumers are women
- Majority of customers learn about new brands from internet (60%) or directly in the store (55,3%)

Based on the studies, we decided that our market segmentation will base on demographic criterion – and we have split our customers by:

- Age: 21 to 30/31 to 40/41 to 55/ 55+

Additional criterion which we decided to apply are geographic and lifestyle:

- Geographic - urban areas (cities with population over 100,000 people)/suburban areas/village areas
- Lifestyle – actively seek to have healthy lifestyle/modestly tend to healthy lifestyle/have no aim to have a healthy lifestyle

The **target audience** for this product will be active urban citizens (who live in cities with population over 100,000 people), with medium or high level of income, age from 25 to 45 and who prefer to eat healthy food.

The **position statement** of new product will be the following: for all our consumers brand “Happy eat” is brand of nutrition products, that delivers tasty and healthy food which you can have anywhere and at any time during your busy day, because of its natural ingredients and convenient package.

2.1.2 Marketing mix

Below we describe how we are going to promote our product on the market and what actions we will undertake in terms of marketing, by using the marketing mix model.

Product

The Company's new product is cereal bars. The product will offer a variety of different tastes (with herbs, with cranberries, with nuts, caramelized) and will be served in packs of one granola bar in pack. Additionally we will produce family packs – 20 items in a pack

The bars will be wrapped in vacuum and all together packed in carton box. The design of the package should create customer's perceptions that with buying this product they would get a premium product, which is by substance a healthy and tasty food created from natural ingredients. At the same time, considering that this product is a snack it is important that it would be convenient to open and eat it right on the go.

Price

The products price significantly depends on: (i) the manufacturing costs, (ii) business purposes as to level of profitability, and (iii) market level of prices.

Average Ukrainian consumer spends around 20-28 UAH on any chocolate/granola bar per day. However, people who tend to eat healthy food are ready to spend additional money on food if this food is considered healthy and made of natural ingredients.

At its launch, We will set prices for its new product slightly higher than average price of bar (since the price itself also should underline the quality of the product), meaning that average end price for the product will equal to approximately 33 UAH (the price may vary depending on the store and retail chain). Considering that new product is likely to have elastic demand our Company does not plan to increase its prices on a regular basis in high amounts (annual increase will be from 5% to 10%).

Place

We will sell its product through large retail chains and at some other outlets. In particular, the Company will sell its products at supermarkets, gas stations, Ukrainian airports and small cafes.

The main distribution channels will be following retail chains: MegaMarket, Novus, Silpo. It is planned that around 70% of product sales will be done through these retail chains. Remaining 20% will be generated by sales from following gas stations: OKKO, WOG, SOCAR, SHELL and up to 10% of all product sales will be sold through small cafes and at the airports.

Additionally, we plan to do some sales through our website and it is likely that we will have such function embed in our mobile app, which we will have developed and provided to our consumers.

Promotion

Considering that the product is new it is very important to build awareness and create interest among consumers.

Company positions its new product as a healthy snack food for active people age 25 - 45 with medium or high level of income, the Company has decided to promote its new product via channels of communication, most popular between potential customers: TV and Digital. Also, the Company will promote its product at several sports events to underline its relevance to health lifestyle. Additionally, the Company will consider product placement in some TV shows, which are popular among targeted

audience (such as “World inside-out” or some travel shows). However, the necessity of the latter will be decided after initial launch of the product and how consumers will accept it.

TV advertising will be made on following channels: 1+1, Ukraine, STB, ICTV, Noviy Kanal – product adverts will be shown on work week during ad breaks in morning shows (from 7AM to 9AM) and during evening TV news (from 7PM to 8:30 PM). On Saturday and Sunday, the commercial will be shown during travel or food TV shows. Commercial on TV should be as up to 30 seconds length (at max) and should briefly show our brand, product and tell our consumers that this snack is made of qualitative components, is tasty and convenient to eat on the go.

Digital advertising will be made on different platforms: Facebook, Instagram, YouTube and some specific sites, which are most popular in Ukraine (ukr.net, olx.ua, prom.ua, pravda.com.ua etc.).

While on Facebook and some sites the Company will have to design a banner showing its brand and product (targeting will be made by applying respective algorithms in order to show this advert only to the Company’s target audience) on YouTube the Company will make a longer commercial with the story. The concept behind YouTube commercial is that it has to be interesting to watch (basically the ad will tell an interesting story) and has to show how it differs from all other available snack food on the market (namely, because it is made of cheese) and that having Good Snack is always a good idea. Via Instagram the Company will sign commercial agreements with healthy food bloggers who will promote Good Snack and focus on naturalness of snack’s ingredients.

Also, the Company will sign marketing (sponsorship) agreements with organizers of certain sports events (such as “Probih pid Kashtanamy”, Marathon/Half Marathon runs, Race Nation etc.) to create among the consumers clear perception that our product is an important attribute of active lifestyle.

In conclusion, the Company’s communication mix has to create customers perception that new cereal bar is a healthy, new kind of tasty bar, which is made of natural ingredients, and convenient to eat both on the go or to eat it with cup of tea/coffee. All this should create perception that this product is made with high quality standards and therefore, it is reasonable that it costs slightly higher compared to other cereal/chocolate bars presented in the market.

2.2 Sales plan

2.2.1 Sales strategy

Further we describe how we are going to make decisions in order to reach our goals we will have to prepare a clear road map that consists of our direct guidelines and list of actions which we as the team will undertake in order to achieve our desired goals.

It is important to note that sales strategy should base on the value which is the company is providing to its consumer and how it is better compared to the company's competitors. Under product market growth matrix, we have to choose our strategy based on the search factors as market and the product basically if it's new market or existing market and if it is new product or existing product. Based on this on this matrix we should choose a **product development strategy** which is suitable for a new product on already existing markets.

Prior launching a new product, we will perform aggressive marketing campaign to promote our products to customers so they will be familiar with the brand and uniqueness of the product itself (secret recipe, healthy and qualitative ingredients, convenient and modern package).

After launch of sales, we will perform regular surveys (monthly at first and then quarterly) to track how customers react to new product and adapt its product accordingly to make it desirable for consumer.

Our strategic and marketing goals which we are trying to reach:

The goals which we plan to achieve:

- Customer retention rate not less than 90% by the end of Y1 - we will apply special loyalty program for our customers, and we will communicate with them through mobile app.
- NPS – not lower than 9 for our products – we will also measure it through mobile app.
- Market share of 10% by the end of Y1 of business.
- To reach BEP by the end of Y2 of business.

2.2.2 Sales plan

Below we provide details on our sales starting from Y1 of business.

Sales planning	UNIT	Y1	Y2	Y3	Y4	Y5	CAGR
Healthy Coconut bar	Items	225,000	250,000	275,000	288,750	300,300	7.48%
Healthy Fruit bar	Items	175,000	180,000	198,000	207,900	216,216	5.43%
Healthy Almond bar	Items	160,000	155,000	170,500	179,025	186,186	3.86%
Healthy Mango Bar	Items	140,000	150,000	165,000	173,250	180,180	6.51%
Total	Items	700,000	735,000	808,500	848,925	882,882	5.97%

Table 4. Sales plan in Units

As we have noted, we plan to reach 10% of market share by the end of Y1. This is ambitious goal, but we believe that having proper marketing activities and brand awareness, producing high-quality cereal bars – we will be able to reach this goal. In particular, we plan to sell approx. 700 000 units of our cereal bars during the first year of operations.

We also expect that demand for our product will grow in total equal to 5,97% CAGR.

Sales planning	Units	Y1	Y2	Y3	Y4	Y5
Healthy Coconut bar	UAH	6,941,250	8,485,000	9,801,000	10,805,025	11,798,787
Healthy Fruit bar	UAH	5,398,750	6,109,200	7,056,720	7,779,618	8,495,127
Healthy Almond bar	UAH	4,936,000	5,260,700	6,076,620	6,699,116	7,315,248
Healthy Mango Bar	UAH	4,319,000	5,091,000	5,880,600	6,483,015	7,079,272
Total	UAH	21,595,000	24,945,900	28,814,940	31,766,774	34,688,434

Table 5. Sales plan in UAH

According to conservative scenario – we will reach annual turnover equal to USD 1 mln by the end of Y5 of business.

2.3.Financial planning

2.3.1 Financing requirements

Total amount of financing required in total sum amounts to UAH 9,250,000.

Line	Units	
Total financing required	UAH	9,250,000
CapEx:	UAH	5,870,000
Building capital improvements	UAH	1,000,000
Equipment	UAH	3,740,000
Office equipment	UAH	480,000
Furniture	UAH	650,000
Capital structure		
Credit financing	%	32%
Equity financing	%	68%
Equity financing	UAH	6,250,000
Credit financing	UAH	3,000,000

Table 6. Required financing

We understand that part of financing will be provided as equity financing and remaining part will be received as loan financing.

We believe that we will be able to receive a grant from the government on 5% loan in the amount of UAH 3 mln.

2.3.2 PL, BS, CF

	Units	Year 0	2023	2024	2025	2026	2027
PROFIT & LOSS STATEMENT							
Sales			21,595,000	24,945,900	28,814,940	31,766,774	34,688,434
COGS	UAH		8,959,985	9,656,648	10,737,662	11,627,854	12,535,117
Gross Profit	UAH		12,635,015	15,289,252	18,077,278	20,138,919	22,153,316
<i>Gross profit margin</i>	%		59%	61%	63%	63%	64%
Operating expenses	UAH		11,506,200	11,782,260	12,371,373	12,989,942	13,639,439
Operating profit	UAH		1,128,815	3,506,992	5,705,905	7,148,978	8,513,878
<i>Operating margin</i>	%		5%	14%	20%	23%	25%
Depreciation/Amortization	UAH		965,650	965,650	965,650	965,650	965,650
EBIT	UAH		163,165	2,541,342	4,740,255	6,183,328	7,548,228
<i>EBIT margin</i>	%		1%	10%	16%	19%	22%
Interest Expenses	UAH	-	135,000	120,000	105,000	90,000	75,000
Earnings before taxes (EBT)	UAH	-	28,165	2,421,342	4,635,255	6,093,328	7,473,228
<i>EBT margin</i>	%		0%	10%	16%	19%	22%
Tax rate			18%	18%	18%	18%	18%
Taxes	UAH		5,070	435,842	834,346	1,096,799	1,345,181
Net income from operating activities	UAH	-	23,095	1,985,500	3,800,909	4,996,529	6,128,047
<i>Net income margin</i>	%		0%	8%	13%	16%	18%

Table 7. Profit & Loss statement

By the end of Y5 our NI margin will equal to 18%.

Average NI margin for such industry is 10%-20%, we plan that we will be able to keep our marginality within industry range

	Unit	Year 0	2023	2024	2025	2026	2027
BALANCE SHEET							
ASSETS							
Cash & cash equivalents	UAH	3,080,000	(385,972)	1,640,533	4,910,811	8,637,716	12,838,487
Accounts receivable	UAH		5,178,082	5,980,685	6,907,691	7,615,206	8,316,023
Inventory	UAH		599,659	601,501	678,448	743,061	809,674
			-				
Other current assets	UAH		-				
Prepaid expenses	UAH		-				
Total Current Assets	UAH	3,080,000	5,391,770	8,222,718	12,496,950	16,995,983	21,964,184
Property and equipment							
Gross value of PPE	UAH	5,870,000	5,870,000	5,870,000	5,870,000	5,870,000	5,870,000
Accumulated depreciation	UAH		965,650	1,931,300	2,896,950	3,862,600	4,828,250
Total Non-Current Assets	UAH	5,870,000	4,904,350	3,938,700	2,973,050	2,007,400	1,041,750
TOTAL ASSETS	UAH	8,950,000	10,296,120	12,161,418	15,470,000	19,003,383	23,005,934
LIABILITIES							
Accounts payable	UAH		1,942,857	1,971,907	2,136,123	2,285,896	2,441,435
Total Current Liabilities	UAH		1,942,857	1,971,907	2,136,123	2,285,896	2,441,435
Long term debt	UAH	2,700,000	2,400,000	2,100,000	1,800,000	1,500,000	1,200,000
TOTAL LIABILITIES	UAH	2,700,000	4,342,857	4,071,907	3,936,123	3,785,896	3,641,435
SHAREHOLDERS' EQUITY							
Chartered and additional capital	UAH	6,250,000	6,250,000	6,250,000	6,250,000	6,250,000	6,250,000
Accumulated retained earnings	UAH	-	(296,738)	1,839,512	5,283,876	8,967,487	13,114,499
Reserves	UAH						
Total Shareholders' Equity	UAH	6,250,000	5,953,263	8,089,512	11,533,876	15,217,487	19,364,499
TOTAL LIABILITIES AND EQUITY	UAH	8,950,000	10,296,120	12,161,418	15,470,000	19,003,383	23,005,934

Table 8. Balance sheet statement

Our business model is built on full cycle production process – thus we will have permanent inventories and we have significant investments in PPE. We also understand that significant part of

our distribution will be conducted through indirect retail channels – big retail chains, which are known for tough payment terms, thus we will have permanently significant amount of accounts receivable.

We plan that in future when we will increase our market share to require for better payment condition, to improve our NWC effectiveness.

CASHFLOW STATEMENT

Cashflow from operating activities							
Net income from operations	UAH	-	23,095	1,985,500	3,800,909	4,996,529	6,128,047
Depreciation/Amortization	UAH		965,650	965,650	965,650	965,650	965,650
Amortization of non-tangible assets	UAH						
+ / - change in accounts receivable	UAH		(5,324,795)	(826,249)	(954,010)	(727,849)	(720,409)
+ / - change in accounts payable	UAH		1,962,511	93,275	160,149	144,676	149,278
+ / - change in inventory	UAH		(613,698)	(47,717)	(74,042)	(60,972)	(62,141)
Cashflow from operating activities	UAH	-	(2,987,236)	2,170,459	3,898,657	5,318,033	6,460,424
Cashflow from investing activities							
Capital expenditures	UAH	5,870,000	-	-	-	-	-
Cashflow from investing activities	UAH	5,870,000	-	-	-	-	-
Cashflow from financing activities							
Loans from commercial banks	UAH	3,000,000					
Repayment of loans to commercial banks	UAH	(300,000)	(300,000)	(300,000)	(300,000)	(300,000)	(300,000)
Dividends	UAH		-	-	(380,091)	(1,249,132)	(1,838,414)
Equity financing	UAH	6,250,000	-	-	-	-	-
Cashflow from financing activities	UAH	8,950,000	(300,000)	(300,000)	(680,091)	(1,549,132)	(2,138,414)
Total Cash Flow	UAH	3,080,000	(3,287,236)	1,870,459	3,218,566	3,768,901	4,322,010
Cash at the beginning of the period	UAH	-	3,080,000	(207,236)	1,663,223	4,881,789	8,650,690
Cash at the end of the period	UAH	3,080,000	(207,236)	1,663,223	4,881,789	8,650,690	12,972,700

Table 9. Cashflow statement

We plan that our company will start to generate positive cashflow from Y3 of operations. Our business will mostly be funded by our sales, and principal payments will be made on regular basis—please note that this scenario foresees loan interest rate equal to 5%, if our business will manage to get grant from the government – our interest rate will equal 0.

2.3.3 Dividend pay-out

Below we provide details on the statement of retained earnings to our planned business. We plan that our accumulated RE will be positive after Y3 of operations. The same year we are planning to start dividend pay-out.

	Units	Year 0	2023	2024	2025	2026	2027
STATEMENT OF RETAINED EARNINGS							
Income distribution							
Net Income	UAH	-	23,095	1,985,500	3,800,909	4,996,529	6,128,047
Dividend payout	%	-	0%	0%	10%	25%	30%
Dividends	UAH	-	-	-	380,091	1,249,132	1,838,414
Current year retained earnings	UAH	-	23,095	1,985,500	3,420,818	3,747,397	4,289,633
Cumulative retained earnings	UAH	-	23,095	2,008,596	5,429,414	9,176,811	13,466,443

Table 10. RE statement

We expect that our dividend payout ration will equal 30% by the end of Y5 of operations.

The graph on the dividend pay-out is presented below.

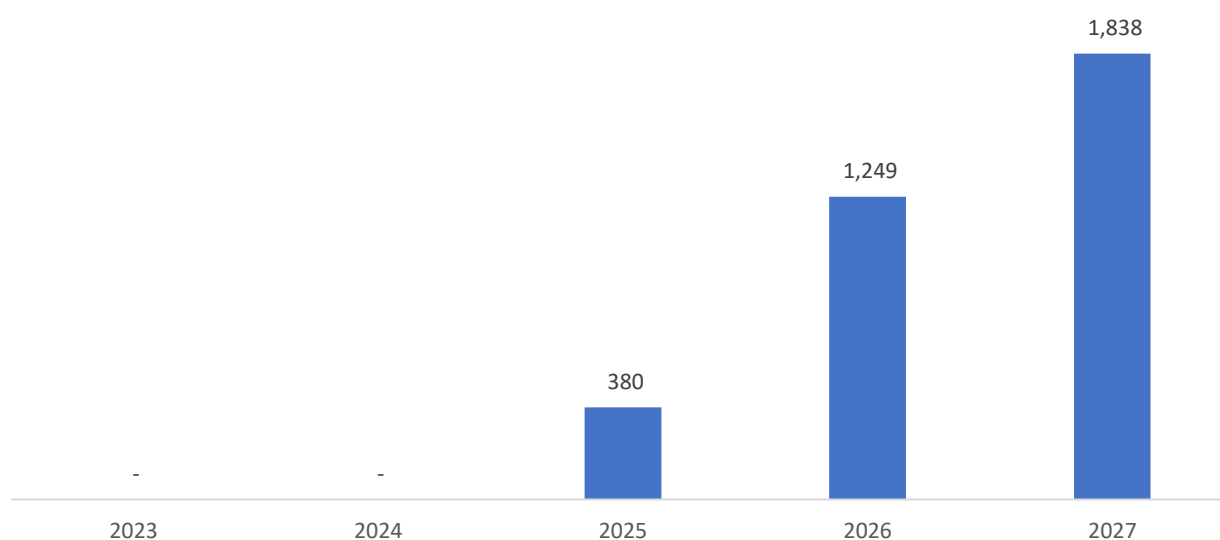


Figure 8. Dividend pay-out plan

We plan to start significant amount of dividend distribution at the Y4 of our operations – the amount of distributed dividends at Y4 will exceed UAH 1 mln.

2.3.4 Project evaluation

Below we provide the NPV, IRR and PB period evaluation of our project.

Years	Units	Period 0	Y1	Y2	Y3	Y3	Y5
CapEx	UAH mln	-5.9					
Cashflow	UAH mln		(3.29)	1.87	3.22	3.77	4.32
Project CF	UAH mln	(5.87)	(3.29)	1.87	3.22	3.77	4.32
Cumulative cashflow	UAH mln	-5.9	-9.2	-7.3	-4.1	-0.3	4.0
Discount rate (WACC)	%	10.01%					
PB (payback period)	years	4.08					
Year		0	1	2	3	4	5
DCF (Discounted cashflow)	UAH mln	-5.9	(2.99)	1.55	2.42	2.57	2.68
Cumulative DCF	UAH mln	-5.9	(8.86)	(7.31)	(4.90)	(2.32)	0.36
DPBP	years	4.87					
Sum of DCF	UAH mln	0.36					
NPV	UAH mln	0.36					
IRR	%	11%					

Table 11. Project evaluation

Based on our calculations we see that:

- NPV is positive.
- IRR rate is 13% during the 5-year interval.
- Payback period is 4 years (although discounted payback period is closer to 5 years).

Going from received evaluations, we believe that this is a good investment opportunity.

2.3.5 Key ratios and graphs

Below we provide the summary of key financial ratios which could briefly give overview of our company's financial performance.

	Units	2023	2024	2025	2026	2027
Liquidity						
Current ratio	times	1.9	3.1	4.7	6.3	7.9
Quick ratio	times	2.6	3.8	5.4	7.0	8.6
Cash ratio	times	(0.1)	0.8	2.2	3.7	5.2

Table 12. Liquidity ratios

Current ratio is a liquidity ratio that measures a company’s ability to pay short-term obligations within one year by maximizing current assets.

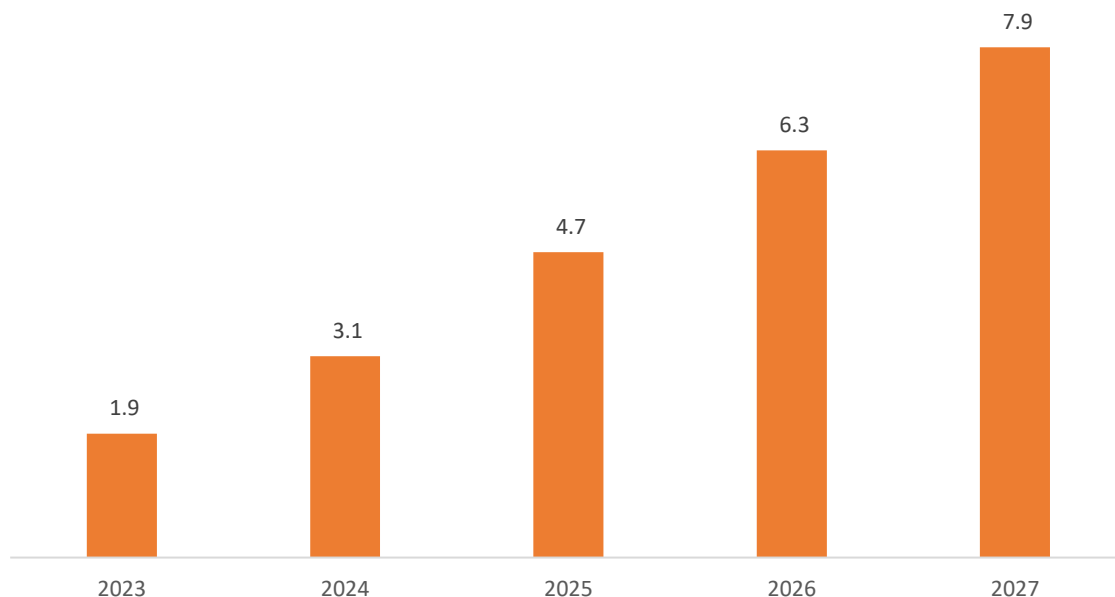


Figure 9. Current ratio graph

From the graph we see that our company will have significant amount of assets to cover its short-term obligations.

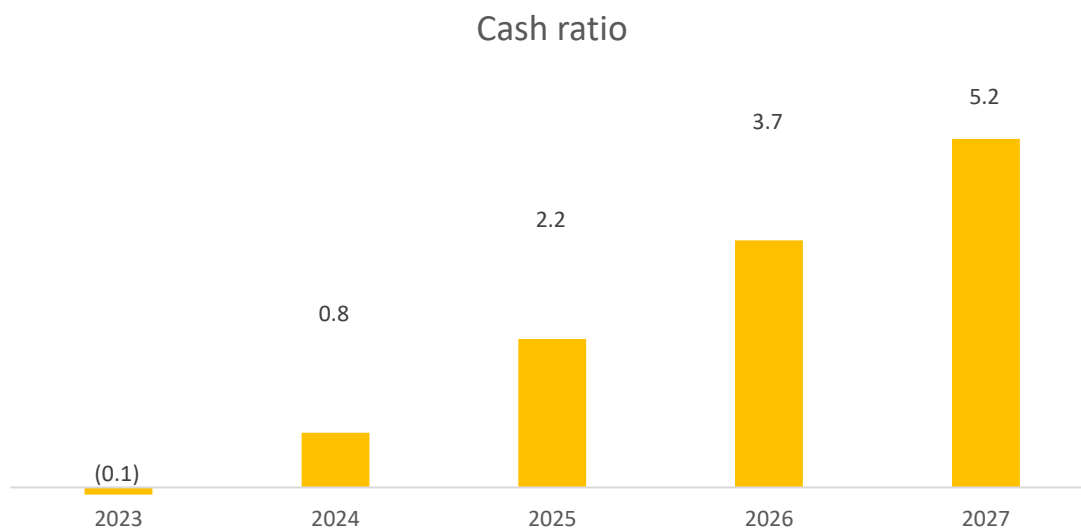


Figure 10. Cash ratio graph

Cash ratio shows the company’s ability to cover its short-term liabilities with cash which it has in hands. During Y1 of business this ratio is negative but starting from Y2 we will have positive cash ratio, and from Y2 we will be able to cover all our short-term obligations with cash and cash equivalents.

	Units	2023	2024	2025	2026	2027
Turnover ratios						
Receivables turnover	times		4.1	4.1	4.1	4.1
Days sales in receivables (DSR)	days	90	90	90	90	90
Inventory turnover	times		29	15	15	15
Day's sales in inventory (DSI)	days	25	25	25	25	25
Payables Turnover	times		4.6	4.7	4.8	4.9
Days sales in payables (DSP)	days	35	35	35	35	35
NWC turnover	times		5.73	3.89	2.74	2.13
Total asset turnover	times		2.03	2.01	1.84	1.65
Fixed asset turnover	times		4.40	6.33	9.69	15.82
Operating Cycle	days	115	115	115	115	115
Cash Cycle	days	80	80	80	80	80

Table 13. Turnover ratios

We see that company’s operating cycle lasts 115 days – which is quite long period time, but the main reason for it is long post-payment terms for our distributors. Average operating cycle for confectionary companies equals to 96 days [15]

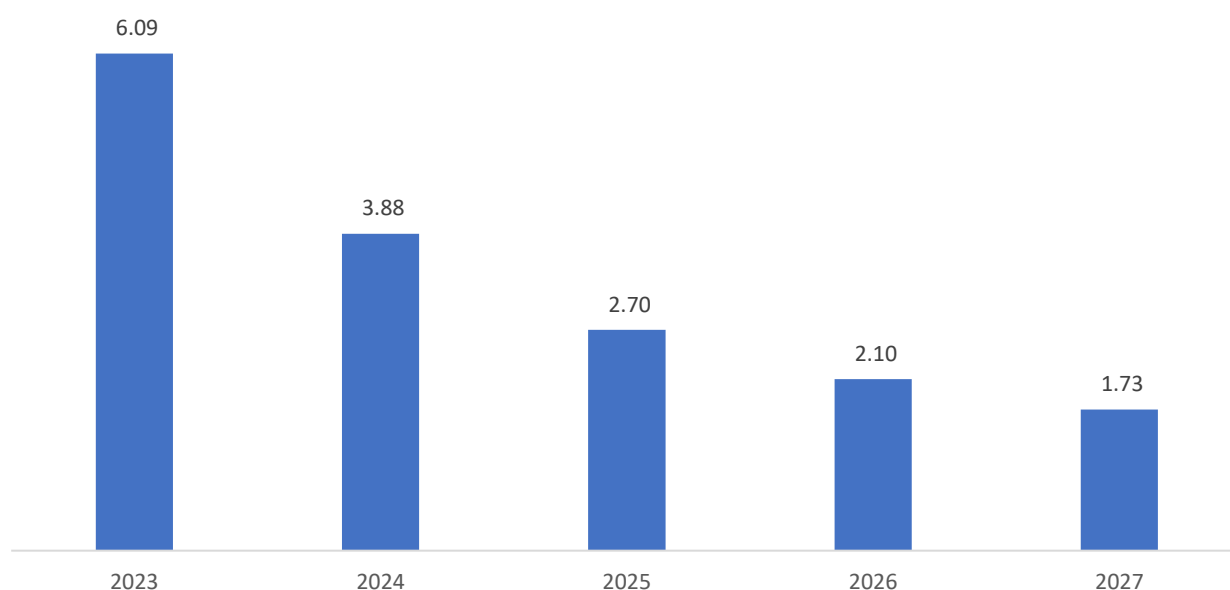


Figure 11. NWC turnover

We see that NWC is decreasing during the period of analysis. BY the end if Y5 of operations it will equal to 1.73 times. We believe that the main reason to this is that we have significant amounts of accounts receivable, and we can’t use this money for our activities. After Y5 of our business we plan to improve our operating cycle and NWC turnover so we would use our working capital more effectively.

For more information as regards our working capital – please see supplement 3 – working capital plan.

At the same time, our business demonstrates high profitability ratios, which could be seen from the table provided further.

	Units	2023	2024	2025	2026	2027	
Profitability ratios							
Gross Profit Margin (GPM)	%	59%	61%	63%	63%	64%	
Operating Profit Margin (OPM)	%	5%	14%	20%	23%	25%	
Net Profit Margin (NPM)	%	0%	8%	13%	16%	18%	
Return on assets (ROA)	%	0%	16%	24%	26%	26%	
Return on equity (ROE)	%	0%	24%	33%	32%	31%	
Dupont Identity		0%	24%	33%	32%	31%	
Net Income/Sales (NPM)	%	0%	8%	13%	16%	18%	
Sales/Assets (ATO)	times		2.03	2.01	1.84	1.65	1.48
Assets/Equity (EM)	times		1.70	1.50	1.34	1.25	1.19
ROI	%	0%	16%	31%	41%	51%	

Table 14. Profitability ratios

Based on our evaluations and prognoses, our business is profitable. In particular, at the GM level we will reach 65% marginality, which in our case equals to contribution margin.

Operating margin by the end of Y5 of operations will equal to 25% - which more than twice lower than GM – due to significant operating expenses: salary and marketing activities.

At the bottom line, our NI margin will equal 18% and we plan that it will remain within the range from 15% to 20% during our business-as-usual operations.

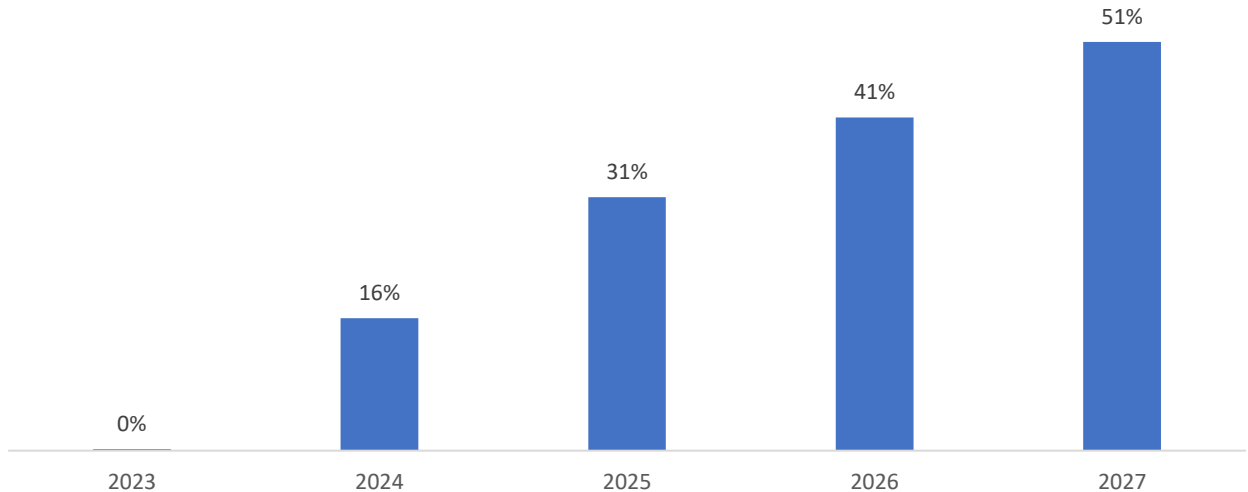


Figure 12. ROI indicator

From our calculation we see that ROI after five years of operations equals to 49%, which is a high ratio.

Section 3. Implementation

3.1. Plan and resources required

3.1.1 Implementation plan

We believe that in general we require up to 3 months for construction of our production facilities and making an office premises. We plan to find a location for long-term rent and make capital improvements of respective building.

The total period to launch our first products at the market will take up to 6 months. Detailed plan and milestones are provided below.

Stage	Description	Period	KPI
Found location for business	In order to run the business, we require production facility and office premises which will be located in one building. Key requirements for the building: <ul style="list-style-type: none"> • -Located in Kyiv oblast • -Production facility and office must be in one building • Total square of the facility – not less than 250 sq m • Ceiling height – not less than 3,5m • Should be with sanitation, water supply, electricity and heating systems • Acceptable load on floor: not less than 1 ton per 1 sq m 	Summer 2022	Pre-agreed rent for the building with lend-lord. Memorandum of intent is signed
Business plan provided to the banks and investors	Detailed business project description is finalized, dully formalized and completed to be presented for receipt of government loans and for seed investment.	August 2022	Final business plan is presented to investors and seed investment at the amount of USD 100,000 is received.
Business registered	In order to function in Ukraine we need to have a legal entity registered in line with all requirements, government authorities and tax/statistics services	September 2022	Business is duly registered and incorporated in Ukraine
Equipment purchased and delivered	At this stage we will sign final agreements for shipping the equipment and have signed contracts for delivery	September 2022 – agreement December 2022 – equipment shipped	Agreement is signed and equipment is delivered

Stage	Description	Period	KPI
Repair works and improvements of the building	We have to make the building ready for daily exploitation, such works would require internal repairs, purchases and installments of furniture, kitchen and other equipment etc.	December 2022	Building ready for equipping
Equipping office	Office technics, such as: printers, PCs, monitors, coffee machines, tables, chairs, air conditions, IT equipment, etc. have to be purchased and installed in the building – for convenient working conditions	December 2022	Office is ready to be used by employees
Hiring personnel	In total at the first stage of business functioning we would require 16 people, who will be involved in production, sales, administrative support, legal function, warehouse management and overall production process and company management	October 2022 – December 2022	At least 10 key personnel is hired and ready to start working
Advertising	We plan to start aggressive marketing campaign in order to create brand awareness and to attract customers to our product even before we deliver it to the stores	December 2022 – February 2023	Concluded agreements with marketing agencies and marketing campaign is running
Site	We will have online website for our product where our consumers will be able to learn additional information about our product, raise questions to us and get to know who we are, what our mission/vision, why are we doing what we are doing	December 2022	Website is running
Raw materials purchase	We will have suppliers selected, screened, and managed in separate system – there we will keep track of our relations, our internal scores for suppliers etc.	October 2022 – January 2023	Agreements signed and raw materials delivered
Production	At this stage, after we have our office equipped and equipment installed we plan to start production and negotiations with potential distributors	December 2022- February 2023	
Distribution	We plan to sign agreements with our distributors who will be selling our products to our consumers. We understand that selection of distributors and signing agreements may last up to three or even more months. However, we hope that we will be able to conclude all the formalities and sign the agreements by the end of winter 2023.	March 2023	Agreements with distributors signed and first batches are shipped to the stores

Stage	Description	Period	KPI
Mobile app	<p>We want to develop and to share our app with our consumers to be more close to our customers. We want to understand what they like, what they don't like, we want to be able to retain them and interact with them through our mobile app.</p> <p>Among features which will be in this app:</p> <ul style="list-style-type: none"> • Scores\ratings for our products • Special offers for our customers • Loyalty programs – in partnerships with other brands • Gamification/achievements for our consumers • Possibility to choose future product • Big data information which will be used for creation of more detailed portrait of our average customer 	March 2023	App is developed and issued in Apple and Android devices
ISO certification 20000	<p>As a social responsible company, and a company which cares strongly about its customers – we want to assure our consumers that what we are doing -is at highest quality.</p> <p>Additionally, ISO certification in perspective will allow us to export our products to Europe (in line with trend that many Ukrainians have left their homes – possibility to buy Ukrainian product while you are being abroad looks interesting and supportive for Ukraine).</p>	July-September 2023	ISO certification received

3.1.2 Team

For our production we would require up to 15 employees:

- CEO
- Chief technologist
- Head of sales
- Sales managers
- Warehouse manager
- Administrative staff
- Marketing manager

Function Position	& Number of employees	of Units	2021	2022	2023	2024	2025
Production							
Chief technologist	1	UAH	1,244,400	1,306,620	1,371,951	1,440,549	1,512,576
Factory employees	4	UAH	1,229,760	1,291,248	1,355,810	1,423,601	1,494,781
				-	-	-	-
Sales							
Head of sales	1	UAH	1,098,000	1,152,900	1,210,545	1,271,072	1,334,626
Sales manager	4	UAH	2,635,200	2,766,960	2,905,308	3,050,573	3,203,102
				-	-	-	-
Warehouse							
Manager	1	UAH	439,200	461,160	484,218	508,429	533,850
				-	-	-	-
Admin							
CEO	1	UAH	1,830,000	1,921,500	2,017,575	2,118,454	2,224,376
Finance manager	1	UAH	1,171,200	1,229,760	1,291,248	1,355,810	1,423,601
Marketing manager	1	UAH	951,600	999,180	1,049,139	1,101,596	1,156,676
Total	14		10,599,360	11,129,328	11,685,794	12,270,084	12,883,588

Table 15. HC requirements

Annual salary fund will equal to UAH 10,6 mln in Y1 of operations. We have budgeted annual salary review and increase for future periods of business.

The HC resources are budgeted for conservative scenario, as mentioned above we understand that we are ready to run the business having employed less personnel than budgeted – and we will start our business with less people employed, thus potential financial effect may differ from budgeted.

3.1.3 Funding

As noted in the section 2.3.1, the total amount of funding required for our project estimates to UAH 9,250,000 or USD 340,000.

These funding contains both equity financing and loan financing:

- Equity financing – USD 230,000
- Loan financing – USD 110,000

We already have 50% of equity financing managed to get from known investors, who are ready to fund our business.

We also have already discussed with the banks possibility to receive funding for this project, part of the banks gave preliminary positive answer.

We expect to receive a bank loan in the amount of UAH 3 mln with 10-year repayment at 5% annual interest rate (under government business supporting program) [12]. See supplement for credit planning details

The remaining funding we will try to receive from various Ukrainian investment funds: Dragon capital, ICU, UVCA and others. For received funding we are ready to give 35% of the Company's share capital.

3.1.3 Production

Below we provide high-level production process map

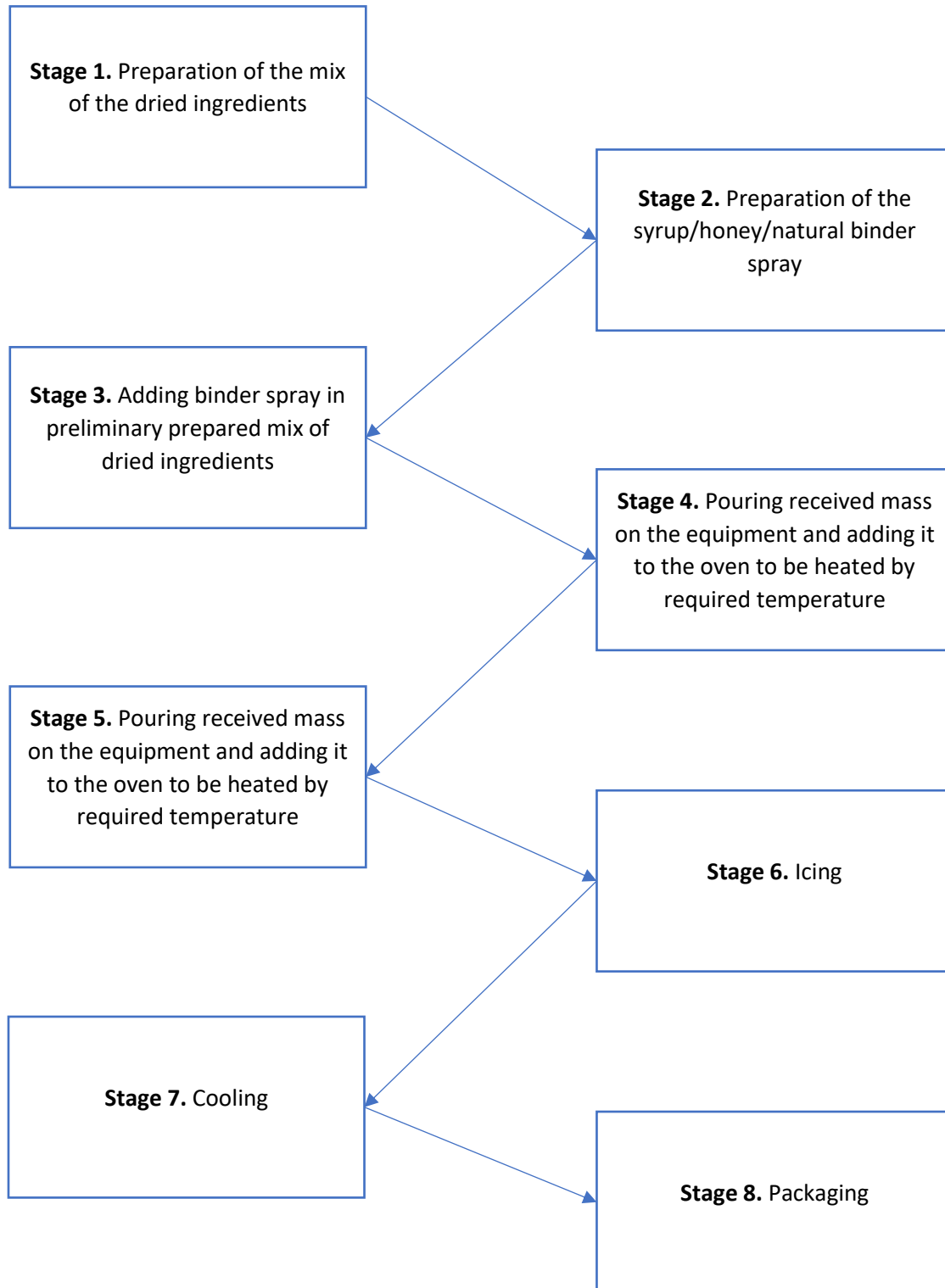


Figure 13. Production process

We will have established control procedures in each stage of the production: prior Stage 1 – we will have quality controls upon accepting the deliveries; Stage 2 – our factory worker will check whether the binder syrup is at good condition and may be used for production of the cereal bar. At Stage 4 – machine is aligning received mixture and if something is not well mixed, or we have ingredients which should not be there – machine will let us know.

The heating, icing and cooling and packing is done by machine, but our employees will have to do selective checks at each stage of production, picking random cereal bar for test – in case if we see that something is wrong – we reject the whole production party, we are not using our raw materials twice and we not utilize it in our production. This is our waste, which is why we have selected the most reliable equipment which has near 100% stability in production cereal bars.

After the production is completed we are shipping our cereal bars to our distributors – who are selling their goods in different parts of Ukraine.

We also have plan in case if we won't be able to sell our product at profitable price – we are ready to offer discounts up to 50% to our prices once we will reach break-even point – this is done in order to minimize possible losses in case if drop in sales and excess inventory.

3.2. Risk management strategy

3.2.1 Risk appetite and approach to risk

As a start-up company, we believe that we might have to take some risks in the course of our business, which we would not accept if we were stable business. For example, risk of cash gap due to signing distribution contracts with long post-payment terms or risks of not being able to sell our goods and consequently losing profitability due to launching a new product.

In any case, we have estimated that total amount of risk which we, as a start-up may take equals to **UAH 3 mln** – this is our risk appetite.

If all sum of risk which we are bearing exceed this threshold – we are not accepting this risk or looking for the ways to minimize other risks, because we won't be able to deal with such losses above 3 UAH mln and we will go bankrupt as a business.

We as a company have developed following approach to determination of the level of the risk. According to risk management theory, there are different ways how a business can/should approach a risk:

- **Risk acceptance.** The risk is accepted and the company does not take any actions to mitigate respective risks. Generally this approach is taken in respect of low or insignificant risks.
- **Risk transfer.** The respective risk is transferred to an external party (supplier/distributor/bank/insurance company) who will face the risk in case of occurrence of the event. This approach is useful but, in some cases, may be quite expensive (e.g. insurance premiums for securing some risks can be expensive and in some cases even exceed the total amount of possible risk).

- **Risk avoidance.** This risk management strategy is in substance not taking any action, which triggers occurrence of this risk, in other words-complete elimination of the possibility of the risk occurrence.
- **Risk mitigation/reduction.** Reduction of the financial or other impact on the company through actions taken to minimize possible impact of the risk. For example, implementation of proper quality control procedures will reduce the risk of unsatisfied quality of the final product.

Probability					
1	≥ 50%	High	High	High	Critical
2	11% - 49%	Low	Medium	High	High
3	≤ 10%	Insignificant	Low	Medium	Medium
Financial impact	1	2	3	4	
	≤ 500K UAH	500k – 1 UAH mln	1 - 3 UAH mln	≥ 3 UAH mln	

Figure 14. Approach to risk

Additionally, we have decided on following principles in our approach to risks:

- We are not accepting critical risks – this is our decision as a socially responsible company, if we face critical risks – we are not going to this business operation. Such risks, include, possibility of complete loss of reputation due bad quality of cheap raw materials/spoiled product/bribery in order to receive some benefits. Thus, we are avoiding critical risks.
- All risks which are considered as high or medium – should be transferred or mitigated. In rare cases medium risks can be accepted, considered that its effect is lower than possible costs for mitigation.
- Low risks are either accepted or mitigated – depending on what is more cost-saving from financial point of view (i.e. possible losses because of risk occurrence or expenses for risk reduction)
- Insignificant risks are accepted by the company.
- Additionally, we have established that all risks which have probability higher than 50% are considered high or critical, depending on the financial impact.

3.2.1 Risk register

We have built our risk register, which in total contains of 9 most important risks which we believe we can face.

High risks

- **Reduction of sales due to recession.** The highest risk which we have. We believe that this risk is significant, and, moreover, considering current situation in Ukraine: war and economic recession in place, we can face a underperforming in sales. To mitigate respective risk, we, at first point, have decided to concentrate on those consumers on the market, who are not price-driven, but they are making their choice based on visual and tasting preferences.

Additionally, we are implementing procedures for regular analysis of the local market, optimization of expenses and organizational structure, improvement of working capital management, optimization of processes. We as well have in place managerial accounting, which allows us to assess our contribution margin, and in case of excess of stock, to offer additional discount to our customers to make sure that we sell our products.

- **Loss of reputation due to bad quality of raw materials.** We are mitigating this risks through establishing quality control procedures at each stage of production. We as well plan to receive ISO 20000 certification to ensure our customers that we have high-quality goods. Additionally, we are managing suppliers through our CRM – this allows us to monitor how we work with them, and to check if we are constantly satisfied with quality of supplied ingredients.

We as well have screening processes – which will be used in case if we see that quality of our supplies has fallen – we will have respective base of suppliers who are ready to provide us with goods.

- **Reduction in sales due to suspending production process for indeterminate period due to equipment breakdown.** We are mitigating this risk by signing extended warranty agreements and by purchasing high quality equipment where technical support is included in the agreement for the period of warranty.

In any case, we are strongly relying on our equipment producer – who has good reputation on the market and thus could be considered as reliable supplier.

- **Drop in sales due to violation of delivery terms.** This risk contains two parts: one part of the risk – we are facing the risk in relation to our indirect distributors – we are mitigating this part of risk through having small excess of stock, and the other part of risk – is that our suppliers won't be able to deliver our goods on time. This risk is transferred to our suppliers – the contracts will foresee fines for violations of delivery terms.

Medium risks

- **Reduction of sales due to damage/spoilage of finished products.** we are accepting this risk. At first, we are producing goods whose life-cycle is up to 6 months (because our products are

wrapped in vacuum package, and second – we understand that there is a possibility that during transportation we may lose some products.

- **Demand reduction due to rapid change of the customers preferences.** Since we are going to interact with our customers on a constant basis – through mobile app, direct communication, online surveys etc., we believe that we would be able to mitigate respective risk.
- **Wrong pricing policy due to wrong market studies.** We believe that we are managing to mitigate respective risks through developing market effectively pricing policy and due to the fact that we are not focusing on price-driven consumers. We believe that setting prices higher than market average will work for the consumers who are focusing in their health and prefer to make their choices based on package and/or taste preferences.

Low risks

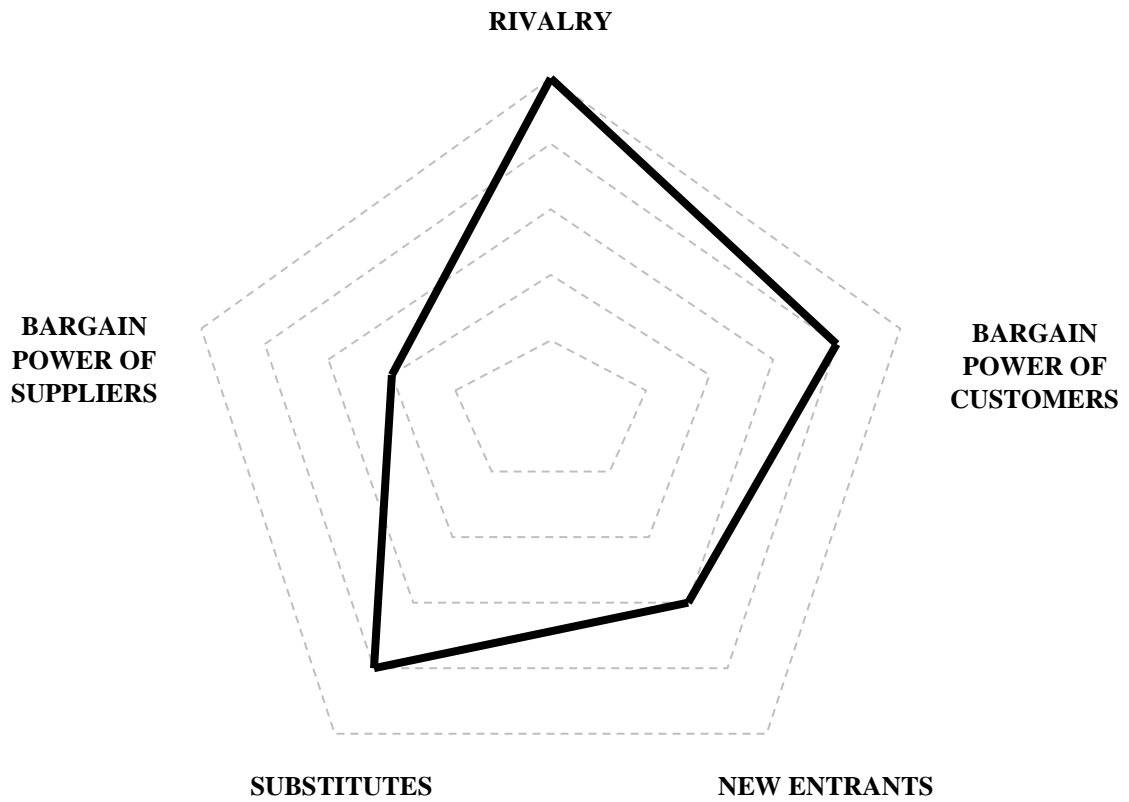
- **Injury during production which may result in loss of reputation or significant lawsuits.** Risk is mitigated by applying security policies and given that we are not using dangerous equipment in our production
- **Theft, intentional damage.** The risk is transferred to a security firm, responsible for round the clock safety in office and factory building.

As a result of risks approach undertaken to our risks, total sum of risks undertaken equals to UAH 1,5 mln.

For more details as to risk assessment and risk response strategy please see Supplements 7 and 8: Risk Map and Risk register

Supplements

1. Porter's Five Forces Diagram



2. SWOT matrix

Strengths	Weaknesses
<p>Full production cycle</p> <p>Client oriented company, mobile app for direct communication and customer retention</p> <p>High-quality equipment with adaptable settings for production (easy to change for another product)</p> <p>Premium package</p> <p>Quality control procedures on each stage of production</p> <p>Good-tasting product</p> <p>Additional financing of operating cashflow</p> <p>Unique recipes developed with</p>	<p>Lack of good quality of RM</p> <p>Strict payment condition from distribution chains</p> <p>High prices</p> <p>Narrow product portfolio</p>
Opportunities	Threats
<p>Trend for healthy food and nutrition</p> <p>Ukrainian market is likely to continue growing after end of the war</p> <p>Trend for Ukrainian</p>	<p>Unstable political and economical situation</p> <p>Increase in final prices due to increase in RM prices</p> <p>New market entrants</p> <p>Low brand awareness</p> <p>Demographic – significant part of Ukrainian has left Ukraine</p>

3. WC planning

Working capital						
Non-cash WC						
	Units	2023	2024	2025	2026	2027
NWC		3,834,884	4,610,279	5,450,016	6,072,371	6,684,262
P&L						
	Units	2023	2024	2025	2026	2027
Sales		21,000,000	24,255,000	28,014,525	30,883,892	33,726,092
COGS		8,755,025	8,781,908	9,905,341	10,848,689	11,821,244
OpEx		11,506,200	11,782,260	12,371,373	12,989,942	13,639,439
Accounts Receivable						
	Units	2023	2024	2025	2026	2027
Days sales Receivables	days	90				
AR / Sales (Damodaran benchmark)	%	7.76%				
Accounts Receivable	UAH	5,178,082	5,980,685	6,907,691	7,615,206	8,316,023
Changes in AR	UAH	5,178,082	802,603	927,006	707,515	700,817
AR benchmark	UAH	1,629,693	1,882,296	2,174,051	2,396,727	2,617,294
Inventory						
	Units	2023	2024	2025	2026	2027
Days sales in inventory	days	25				
INV / Sales (Damodaran benchmark)	%	13.54%				
Inventory	UAH	599,659	601,501	678,448	743,061	809,674
Changes in INV	UAH	599,659	1,841	76,947	64,613	66,613
INV benchmark	UAH	2,843,207	3,283,904	3,792,909	4,181,395	4,566,202
Accounts Payable						
	Units	2023	2024	2025	2026	2027
Days sales in payables	days	35				
AP/Sales (Damodaran benchmark)	%	8.41%				
Accounts Payable	UAH	1,942,857	1,971,907	2,136,123	2,285,896	2,441,435
Changes in AP	UAH	1,942,857	29,049	164,217	149,773	155,539
AP benchmark	UAH	2,013,699	2,325,822	2,686,324	2,961,469	3,234,009
Operating cycle		115				
Cash conversion cycle		80				
Non-cash WC efficiency						
	Units	2023	2024	2025	2026	2027
Non-cash WC	UAH	3,834,884	4,610,279	5,450,016	6,072,371	6,684,262
Sales	UAH	21,000,000	24,255,000	28,014,525	30,883,892	33,726,092
Rate	%	18.26%	19.01%	19.45%	19.66%	19.82%

4. Credit planning

Credit terms

10-year credit

Principal repayment	UAH	300,000
%	UAH	At the year end

	Units						
Principal	UAH	3,000,000					
Interest rate	%	5%	Annual rate				

	Units	2022	2023	2024	2025	2026	2027
Principal	UAH	3,000,000	2,700,000	2,400,000	2,100,000	1,800,000	1,500,000
Interest payment	UAH	150,000	135,000	120,000	105,000	90,000	75,000
Principal repayment	UAH	300,000	300,000	300,000	300,000	300,000	300,000

5. Macroeconomic data

Item	Units	2018	2019	2020	2021	2022F	2023F	2024F	2025F
GDP	USD mln	130.93	154.96	142.25	149.54	97.20	106.92	117.61	129.37
Average monthly salary	USD	326	414	430	546	600.53	660.58	726.64	799.31
Per capita consumption (nuts, fruits, berries etc.), per month	Kg	3.80	4.00	4.20	4.41	4.63	4.86	5.11	5.36
Inflation index	%	109.8%	104.1%	105.0%	110.0%	105.0%	105.0%	105.0%	105.0%
Net margin in industry, Emerging markets	%	3.77%	4.21%	4.42%	4.64%	4.87%	5.12%	5.37%	5.64%
Currency to USD	UAH/USD	27.20	25.85	26.96	27.29	33.40	36.40	39.40	42.40

6. Market data

Item	Units	2017	2018	2019	2020	2021	2022F	2023F	2024F
Market share, import	%	9.0%	12.6%	15.50	16.80				
Market share, domestic production	%	91.0%	87.4%	84.5%	83.2%	17%	20%	19%	19%
Market size	UAH mln	226.17	264.09	312.56	310.56	326.48	212.21	233.43	256.77
Granola consumption	Tones	3,535	4,122	4,449	4,356	4,608	3,224	3,480	3,756

Natural sweets	Units	Share
Cereal bars	%	26%
Fruit-nuts bars	%	23%
Snacks	%	17%
Paste	%	15%
Dried fruits	%	10%
Natural confectionary	%	5%
Organic candies	%	2%
Others	%	2%

Market players	Units	Share
Axa	%	22%
CORNY	%	19%
Ba	%	14%
EatMe	%	11%
Grengy	%	10%
Fitness	%	5%
Others	%	19%

Competitors retail prices	Units	2022	2023F	2024F
Company's prices, 50g Bar	UAH	n.a.	30.85	37.42
Bar Fitness Nestle, 23,5 g	UAH	12.00	12.60	13.23
Corny BAR with cranberries/banana, 50g	UAH	25.00	26.25	27.56
AXA bar, 25g	UAH	8.70	9.14	9.59
Eatme, 30g	UAH	11.50	12.08	12.68
Granola Energy, Oat&Honey, 40g	UAH	23.00	24.15	25.36
TM Kochana	UAH	35	36.75	38.59
Raw Bar viking	UAH	50.00	52.50	55.13

7 Risk map

Probability					
1	≥ 50%			1,4	
2	11% - 49%		5		2, 3
3	≤ 10%		8,9		6,7
Financial impact		1	2	3	4
		≤ 500K UAH	500k – 1 UAH mln	1 - 3 UAH mln	≥ 3 UAH mln

8. Risk register

ID	Risk Description	Risk Owner	Risk assessment					Risk Map	Risk response	Further actions required
			Probability,%	Score	Impact, mln UAH	Score	Final score			
1	Reduction of the customers purchasing power which result in reduction of sales and excess of stock	Sales Director	≥ 50%	3	1-3	3	9	High	Mitigate	Regular analysis of the local market, optimization of expenses and organizational structure, improvement of working capital management, optimization of processes
2	Loss of reputation and consequently losing customer base due to low-quality of raw materials	CEO	11% - 49%	2	≥ 3	4	8	High	Mitigate	Standardized quality control procedures applied to every single shipment.
3	Suspending production process for indeterminate period of time due to equipment breakdown	CEO	11% - 49%	2	≥ 3	4	8	High	Mitigate	Searching and purchasing the top-quality equipment, having effective warranty repair/replace contracts
4	Drop in sales due to violation of delivery terms	Sales Director	≥ 50%	3	1,5	2	6	High	Mitigate/Transfer	Material fines for suppliers, possible compensations from suppliers
5	Reduction of sales due to damage of finished goods during transportation	CEO	11% - 49%	2	<1	2	4	Medium	Accept	
6	Change in customer patterns which will bring to reduction of demand	Sales Director	≤ 10%	1	≥ 3	4	4	Medium	Mitigate	Permanent marketing campaign, various promo activities on a regular basis, direct interaction with customer base through social media
7	Mistakes in studies of the market which may bring to reduction of sales due to wrong pricing policy	Sales Director	≤ 10%	1	≥ 3	4	4	Medium	Mitigate	Professional market research, regular update of marketing trends
8	Injury in production process which may result in loss of reputation or significant lawsuits	CEO	≤ 10%	1	1	2	2	Low	Mitigate	Implementing a safety program in and training employees regularly on safety measures in production process. Firing employees who don't comply
9	Theft, intentional damage of the warehouse by third parties	Sales Director	≤ 10%	1	0,5-1	2	2	Low	Transfer	Signing a contract with security service

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