

ARNOUS Forms Virtual Business Feasibility Study

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Amounts in USD Unless Other Stated

Executive Summary

ARNOUS Forms is a SME that projecting to launch business in Beirut Lebanon, it is specialized in food paper box forming. The Company will invest in improved technology machines that eligible it to provide high quality products with less fixed costs and competitive prices.

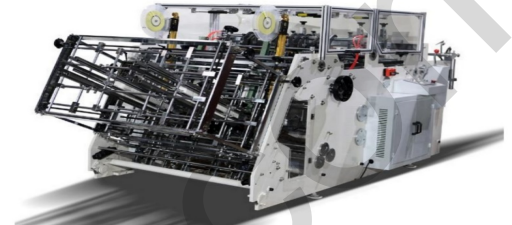
Target Clients are restaurants and snacks from all different sizes and franchises.

In this Feasibility study we depend on several researches, especially in determining COGS and revenues by product, by client, by region, by machines productivity, by sensitivity to price change. For simplicity we did not plot them in this study, in order to ease the complexity of the file.

Assumptions & Drivers

CAPEX

	QTY	Cost&inst.	Productivity
Forming Machine	1	25,000	100 Box/Min
Die Cutting Machine	1	20,000	60 Pcs/Min
Printing Machine	1	20,000	80 m/Min
Distributing Vehicles	2	15,000	N/A
Furniture & Fixtures	N/A	3,500	N/A
Office Equipments	N/A	5,000	N/A
Software	1-2	3,000	N/A
		91,500	



Machine Optimization / Revenue & COGS Inputs

Description	Machine Full Productivity By QTY/Pieces					70% Sales Price		Year1 USD Revenues	COGS include	
	Per Minute	Per Hour	Per Day	Per Month	Per Year	Year1 Sale QTY	Piece USD		Printing in USD	BOX Estmtd. Dimensions
Hamburger Paper Box	12	749	3,746	112,385	1,348,618	944,033	0.09	84,963		0.04 11*11*8.5
Potato Fried Paper Box	12	749	3,746	112,385	1,348,618	944,033	0.05	49,090		0.02 6*4*7
Plates Paper	9	537	2,684	80,512	966,141	676,299	0.07	47,341		0.03 18*10*6
Sandwiches Paper Box	10	626	3,132	93,961	1,127,533	789,273	0.07	55,249		0.03 17*6*7
Broasted Box	8	469	2,346	70,379	844,545	591,181	0.09	53,206		0.04 12*12*8
Kids Meal Box	8	469	2,346	70,379	844,545	591,181	0.09	53,206		0.04 12*12*8
	60	3,600	18,000	540,000	6,480,000	4,536,000		343,055		
	Full Productivity Sales USD									

Working capital assumptions

Receivable Days	60
Inventory Days	30
Payable Days	30

Initial Investment Needed

Cash to Finance OPEX for 3 months	19,900
Working Capital Requirements	56,393
CAPEX	91,500
Total Initial Investment	167,793
Capital 10,000 Shares, Par \$10	60% 100,000
Bank Debt 8% - Due in Yr. 3	40% 67,793



Projected Profit&Loss By Year

Note

The Operating expenses are based on similar market costs in lebanese markets, also salaries include social security costs and transportation, some expenses their nature is in LBP , so converted to USD at the market rate, CAPEX are depreciated using straight line method on the life of the plan which is 5 years, no salvage values taken into consideration. Tax rate used is 17%.

Description	Year 1	Year 2	Year 3	Year 4	Year 5
Sales Revenue	343,055	411,666	490,079	490,079	490,079
Growth		20%	19%	Full Prdctvty	Full Prdctvty
Cost Of Goods Sold (COGS)	137,222	164,667	196,032	220,536	220,536
Gross Profit	205,833	247,000	294,047	269,543	269,543
Gross Profit Ratio	60%	60%	60%	55%	55%
OPEX					
Place rent 200 sqm	3,600	3,600	3,600	3,600	3,600
Electricity	1,200	1,200	1,300	1,300	1,300
Stationary	600	600	600	600	600
Cleaning&Kitchen Supplies	600	600	600	600	600
Municipality Expenses	200	200	200	200	200
Mobile and Land Line	240	240	280	280	280
Cars Mnt&Rpr	900	900	1,000	1,100	1,200
Machines Mnt&Rpr	1,200	1,200	1,300	1,400	1,500
Vehicles Fuel	1,200	1,200	2,000	2,000	2,000
Auditing and Consulting	500	500	500	500	500
Advertising	1,200	1,100	900	800	800
Miscellaneous&Contingencies	1,000	1,000	1,000	1,000	1,000
Salaries&CNSS (5 employees)	42,000	44,100	46,305	48,620	51,051
Sales Commissions Avg. 2%	6,861	8,233	9,802	9,802	9,802
Depreciation	18,300	18,300	18,300	18,300	18,300
Total OPEX	79,601	82,973	87,687	90,102	92,733
Other Operating Expenses					
Interest Expenses	5,423	5,423	5,423	-	-
Net Income Before Tax	120,809	158,603	200,937	179,442	176,811
Taxes	20,537	26,963	34,159	30,505	30,058
Net Profit	100,271	131,641	166,778	148,937	146,753
Net Profit Ratio	29%	32%	34%	30%	30%

Capital Budgeting & Feasibility Study

Description	Time Zero	Year 1	Year 2	Year 3	Year 4	Year 5
Revenues		343,055	411,666	490,079	490,079	490,079
COGS		137,222	164,667	196,032	220,536	220,536
Gross Profit		205,833	247,000	294,047	269,543	269,543
GPR		60%	60%	60%	55%	55%
OPEX		61,301	64,673	69,387	71,802	74,433
EBITDA		144,532	182,326	224,661	197,742	195,111
Depreciation		18,300	18,300	18,300	18,300	18,300
EBIT		126,232	164,026	206,361	179,442	176,811
Interest		5,423	5,423	5,423	-	-
EBT		120,809	158,603	200,937	179,442	176,811
Taxes		20,537	26,963	34,159	30,505	30,058
Net Income		100,271	131,641	166,778	148,937	146,753
NOPAT		104,773	136,142	171,279	148,937	146,753
Add Depreciation		18,300	18,300	18,300	18,300	18,300
Operating Cashflow		123,073	154,442	189,579	167,237	165,053
Initial Investment without WC	(111,400)					
Working Capital (WC)	(56,393)	(11,279)	(2,148)	-	-	69,819
Net Cash Flow time line	(167,793)	111,794	152,294	189,579	167,237	234,872

Summary & Interpretations

WACC for this study estimated at	25%	WACC is variable according to country risk premium and financial risk of comp.
Net Present Value (NPV)	261,638	NPV is positive , the project is profitable
Internal Rate Of Return (IRR)	81.05%	IRR is too much higher than WACC, indicating project profitability and low risk
Modified IRR	47.29%	MIRR take cash flows to last year and discounted back
Pay Back Period in years	1.29	The project needs 1.29 years to return the initial investment

Please refer to Risk management file for more info.

Project Status

Recommended

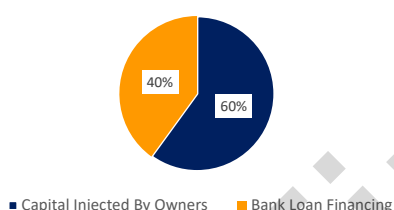
Sensitivity Analysis

Net Present Value Sensitivity to change in WACC and GPR assumptions

NPV Table		Gross Profit Ratio				
		50%	55%	60%	65%	70%
WACC	15%	356,858	369,238	381,618	393,998	406,378
	20%	292,151	304,015	315,879	327,743	339,607
	25%	238,859	250,249	261,638	273,027	284,417
	30%	194,517	205,468	216,419	227,371	238,322
	35%	157,271	167,817	178,363	188,909	199,455

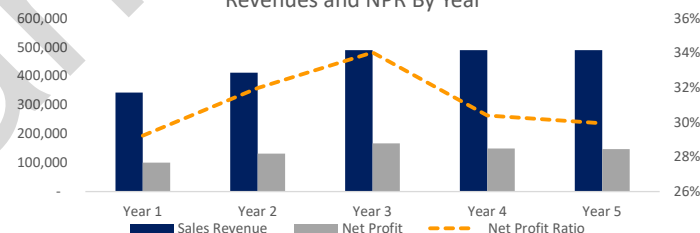
Charts & Graphs

Initial Investment Financing

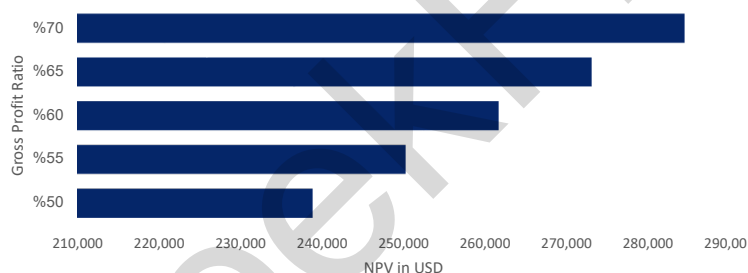


USD

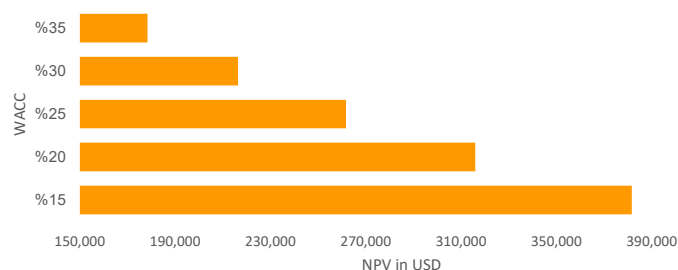
Revenues and NPR By Year



NPV Sensitivity to GPR @ 25% WACC



NPV Sensitivity to WACC @ 60% GPR



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