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FOUNDATION

# Water Hyacinth Project

## Financial elements



# Disclaimer

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The purpose of this confidential information memorandum (“the Memorandum”) is to provide financial information on project Hyacinth (“the Project”), and to assist the recipient in deciding whether or not to proceed with a more detailed review of the matters discussed in the Memorandum.

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# 1. Overview (1/2)

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## Key points

The Water Hyacinth project relates to the business exploitation of the patent for :

- **Packaging market :**
  - ✓ On-going fund raising process to finance the company ramp-up ;
  - ✓ IBI Management team will operate the business.
- **Insulation market :**
  - ✓ IBI will licence its patent to an industrial operator who will bear the capex, operate the industrial site and manage the distribution & sales ;
  - ✓ First contact initiated with key players.

## Packaging

- **Financing needs of 8M€ :**
  - ✓ Industrial site capex (capacity of 9t/day) : 6,5M€ ;
  - ✓ Central costs for FY2020/2021 : 1,4M€.
- **Financing mix Equity / Bank debt still to be defined**, but industrial asset debt financing capacities will be considered.

# 1. Overview (2/2)

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## Packaging (continued)

- Expected sales of 11M€ with high level of EBITDA margin (+/-30%) and excellent cash conversion of the EBITDA.
- Scalability :
  - ✓ Driven by access to water hyacinth and local demand to limit environmental footprint ;
  - ✓ Capacity to **size the future additional investment** (1 thermoforming line = 3t/day = 1M€) to match the expected local demand around the world (Europe, Asia, US).

## Insulation

- Capex estimated at +/-40M€
- Expected initial sales of 63M€
- Peers EBITDA margin ranging between 7% to 17%.

## 2. Fund raising : capex (1/2)

The 6,5m requested capex for the industrial site are made of :

- Land & buildings (see detail below) : 2M€ ;
- Machinery (see detail below) : 3,5M€ ;
- 4Q2021 plant start-up & industrial tests : 1M€.

LAND & BUILDINGS	m2	€/m2	Capex (K€)
<b>Land purchase</b>			<b>300</b>
Solar Greenhouse dryer & sterilizer	6 000	100	600
Workshop & office - foundations & terracing	800	150	120
Workshop & office - metal building	800	350	280
Storage - Fibers	600	500	300
Storage - Finished goods	300	500	150
Boat storage & maintenance workshop - building	400	500	200
<b>Buildings</b>			<b>1 650</b>
<b>LAND &amp; BUILDINGS (K€)</b>			<b>1 950</b>

MACHINERY	Qty	Cost (K€)	Capex (K€)
Harvesting boat Weedoo	1	70	70
Container boat	2	2	4
Folding kit (2 zodiac boats ; 1 floating dam)	1	10	10
<b>Harvesting Material</b>	<b>A</b>		<b>84</b>
Marnix cutting	1	100	100
Vettertec dewatering	1	227	227
<b>Cutting &amp; dewatering Material</b>	<b>B</b>		<b>327</b>
Fiberizer Pallmann (PSKM 15-720)	1	150	150
Vettertec dewatering	1	30	30
<b>Fiberizing &amp; screening Material</b>	<b>C</b>		<b>180</b>
Thermoforming production line	3	750	2 250
<b>Processing Material</b>	<b>D</b>		<b>2 250</b>
<b>Transport &amp; setting (25% of A+B+C+D)</b>			<b>710</b>
<b>TOTAL MACHINERY (K€)</b>			<b>3 552</b>

## 2. Fund raising : capex (2/2)

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### Comments on Machinery

The capex, and the hereinafter presented business plan (BP), are based on the assumption that 3 thermoforming production line are deployed to match the expected initial volume.

It must be noted that :

- The other initial capex (harvesting / cutting & dewatering / fiberizing & screening) are dimensioned to absorb 2 additional thermoforming production line (so 5 in total) ;
- The cost of 1 thermoforming production line is 0,94M€ (0,75M€ + 25% transport & setting) ;
- 1 thermoforming production line can generate up to 3,5M€ sales and 1,3M€ gross margin on a full year basis ;
- Another 1,9M€ capex for 2 additional thermoforming production lines would increase by 66% the initial production capacities and contribute boost sales by 7M€ and gross margin by 2,6M€.

The pace of the potential additional capex will be adapted to the pace of commercial growth.

## 2. Fund raising : central costs

K€	FY2020	FY2021
Garden pots & alternative packaging trials	20	
Drying & sterilizing solar green house prototype	100	
Engineering of tailor-made harvesting boat + prototype		80
R&D on new thermal insulation application		30
New lab material		10
<b>R&amp;D</b>	<b>120</b>	<b>120</b>
Accountancy	20	20
Business Plan	20	
Marketing strategy - garden pots	20	
Marketing strategy - alternative packaging & insulation		30
Communication alternative packaging & insulation		50
<b>Advisors Fees</b>	<b>60</b>	<b>100</b>
Bleger : existing patents annuity + new patents on engineering devt	60	100
Prioux : contractual matters / Trials / International devt	40	40
De Sart : legal consultancy		10
<b>Legal Fees</b>	<b>100</b>	<b>150</b>
Management fees	180	360
Travel expenses	40	100
Office rental		45
Miscellaneous		25
<b>Admin Fees</b>	<b>220</b>	<b>530</b>
<b>TOTAL CENTRAL COSTS</b>	<b>500</b>	<b>900</b>

The breakdown of the 1,4M€ central costs for 2020 / 2021 is made of (see opposite) :

- R&D : 0,25M€ ;
- Advisors & legal fees : 0,4M€ ;
- Admin costs : 0,75M€.



# 3. Packaging business plan (1/4)

in K€	FY2022	FY2023	FY2024	FY2025
<b>Sales</b>	<b>7 392</b>	<b>8 976</b>	<b>10 560</b>	<b>10 560</b>
Variables Costs	(2 325)	(2 823)	(3 322)	(3 322)
Treatment Costs	(1 848)	(2 244)	(2 640)	(2 640)
Staff Costs	(699)	(699)	(699)	(699)
S/T Cost of Sales	<u>(4 872)</u>	<u>(5 766)</u>	<u>(6 660)</u>	<u>(6 660)</u>
<b>Gross Margin</b>	<b>2 520</b>	<b>3 210</b>	<b>3 900</b>	<b>3 900</b>
	<b>34,1%</b>	<b>35,8%</b>	<b>36,9%</b>	<b>36,9%</b>
SG&A	(612)	(612)	(612)	(612)
<b>EBITDA</b>	<b>1 908</b>	<b>2 598</b>	<b>3 288</b>	<b>3 288</b>
<b>% sales</b>	<b>25,8%</b>	<b>28,9%</b>	<b>31,1%</b>	<b>31,1%</b>
Depreciation	(579)	(586)	(592)	(599)
Corporate Tax	(332)	(503)	(674)	(672)
<b>NET PROFIT</b>	<b>997</b>	<b>1 509</b>	<b>2 022</b>	<b>2 017</b>
Depreciation	579	586	592	599
Capex				
Capex Recurring	(65)	(65)	(65)	(65)
Change in WC	(327)	(85)	(85)	0
<b>FREE CASHFLOW</b>	<b>1 184</b>	<b>1 945</b>	<b>2 464</b>	<b>2 551</b>
<b>% sales</b>	<b>16,0%</b>	<b>21,7%</b>	<b>23,3%</b>	<b>24,2%</b>

## Note

The above BP is starting in 2022 as 2021 will be dedicated to site selection and erection as well as industrial tests.

## Sales assumptions

The anticipated sales of the BP are based on the following assumptions :

	FY2022	FY2023	FY2024	FY2025
Site availability (days/yr)	330	330	330	330
Nominal capacity (t/day)	9	9	9	9
<b>Utilization rate</b>	<b>70%</b>	<b>85%</b>	<b>100%</b>	<b>100%</b>
Production (t/day)	6,3	7,7	9,0	9,0
<b>Pots sold (Qty in million)</b>	<b>46,2</b>	<b>56,1</b>	<b>66,0</b>	<b>66,0</b>
Pot selling price (€)	0,16	0,16	0,16	0,16
<b>Sales (K€)</b>	<b>7 392</b>	<b>8 976</b>	<b>10 560</b>	<b>10 560</b>
Estimated market share	5,1%	6,2%	7,3%	7,3%

FY2022 & FY2023 are ramp up years, and the site production capacities are fully used as of FY2024.

### 3. Packaging business plan (2/4)

in K€	FY2022	FY2023	FY2024	FY2025
<b>Sales</b>	<b>7 392</b>	<b>8 976</b>	<b>10 560</b>	<b>10 560</b>
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	<b>34,1%</b>	<b>35,8%</b>	<b>36,9%</b>	<b>36,9%</b>
SG&A	(612)	(612)	(612)	(612)
<b>EBITDA</b>	<b>1 908</b>	<b>2 598</b>	<b>3 288</b>	<b>3 288</b>
% sales	<b>25,8%</b>	<b>28,9%</b>	<b>31,1%</b>	<b>31,1%</b>
Depreciation	(579)	(586)	(592)	(599)
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% sales	<b>16,0%</b>	<b>21,7%</b>	<b>23,3%</b>	<b>24,2%</b>

#### From Sales to EBITDA

The BP exhibit a **strong EBITDA margin, reaching 31% post ramp up**, deriving from a high level of gross margin and limited SG&A.

- NB : there is no “raw materials” costs as the access to water hyacinth is expected to be granted for free by local authorities ;
- Variables costs are made of energy, technical & maintenance supplies as well as sales transportation costs ;
- Treatment costs correspond to the wax treatment enabling water resistance ;
- Staff costs for 40 people (5 high qualified, 13 qualified workers and 22 non-qualified workers) ;
- SG&A encounter insurances, externalised admin fees (accounting, HR, ...) and contingencies.

### 3. Packaging business plan (3/4)

in K€	FY2022	FY2023	FY2024	FY2025
<b>Sales</b>	<b>7 392</b>	<b>8 976</b>	<b>10 560</b>	<b>10 560</b>
Variables Costs	(2 325)	(2 823)	(3 322)	(3 322)
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<b>% sales</b>	<b>16,0%</b>	<b>21,7%</b>	<b>23,3%</b>	<b>24,2%</b>

#### From EBITDA to Free Cashflow (FCF)

The BP exhibit a **strong FCF level combined with a high cash conversion of the EBITDA.**

- Corporate tax are assumed at 25% ;
- Recurring capex represent 10% of the initial capex amount ;
- Change in Working Capital is based on expected DSO and DPO at 45 days.

### 3. Packaging business plan (4/4)

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#### Sensitivity analysis

- **Pot selling price** : the BP is based on a pot selling price of 16 centimes per unit ; the sensitivity analysis hereunder shows the EBITDA impact of a 1 centime change in the pot selling price.
- **Cost of sales** : the treatment costs in the BP are based on public price (4 centimes per unit) and do not encounter any buy-out deriving from the high volume purchase ; the sensitivity analysis hereunder shows the EBITDA impact of 10% buy-out.
- **Industrial tool** : the BP assumes that the site utilization rate (in % of its nominal capacity) is respectively 70% in 2022, 85% in 2023, and 100% as of 2024 ; the sensitivity analysis hereunder shows the EBITDA impact of 5% change in the site utilization rate.

EBITDA impact - K€	FY2022	FY2023	FY2024	FY2025
Pot selling price : +/- 1cent change	+/-411	+/-499	+/-588	+/-588
CoS : 10% buy-out in treatment costs	184	224	264	264
Industrial tool : 5% change in utilization rate	+/-230	+/-230	(230)	(230)

## 4. Insulation : key elements

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### Note

- This business will be fully operated by an industrial player to whom the patent will be licenced
- IBI will therefore benefit from patent royalties

### General market trends

- The global insulation market amounts to 5.000 millions of m2 of insulation panels / year
- **5% of this relates to natural fibres insulation** : 250 millions of m2 / year
- The natural fibres insulation market is expected to **grow by +10% / year**

### Project KPI

- Production site **capex estimated at 40M€**, similar to peer comparable for the same capacity with the same technique where IBI industrial trials have been successfully made (Siempelkamp production line)
- Production of 2,6 millions of m2 / year representing **+/- 1% market share** of natural insulation
- Selling price of 24€ / m2
- Initial **sales anticipated at 63M€**
- **Peers EBITDA ranging between 7% to 17%**