

AGRI-FOOD SECTOR

EXPANSION OF CUT ROSES GREENHOUSE



Company: Ecotomato cjsc and Armyanki Urajay LLC (jointly the Group)

Location: Goght village, Kotayk marz, Armenia

Project cost: USD 26M

General information about the initiator of the project:

Established in 2011, company is currently operating one of the largest cut roses' production hydroponic greenhouses in Armenia, which is fully designed and assembled by the leading Dutch and French greenhouse technology supplier – DALSEM and RICHEL. The Group started its operations from a two-hectare greenhouse and gradually, during five years' time, expanded to 18.5ha, of which 17ha are fully equipped and operational greenhouses and the rest is service area. Company is one of the market leaders in growing cut roses in Armenia with current monthly production of around 1 million roses monthly, growing up to 22 varieties. Company is currently holding exclusive rights on growing the main commercially successful types of roses, among which are:

- Red Naomi,
- Penny Lane,
- White Naomi,
- Angelina,
- Ski,
- Sugar Lips,
- AnnaKarina.

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Around 25% of grown roses is sold on the local market and the rest exported to Russia, Georgia, Belarus, the Netherlands and Sweden. The Company is constantly working on expanding its exporting geography. Particularly, recently it started cooperation with the wholesalers in Kazakhstan, which soon will become the next export destination. The Group is not exporting by its own, but rather cooperating with specialized leading logistics/transportation companies at the export markets. Worth to mention that as a producer of agricultural products, the company is exempt from paying profit tax (20%). Additionally, membership of Armenia in EAEU allows the Company to enjoy the customs duty free exports to the countries of the Union: Russia, Kazakhstan, Belarus and Kyrgyzstan.

Project Description:

The Company is planning 17 ha of expansion on the already acquired land plot – on top of the existing production of 17 hectares with total project cost of 26M USD. The Company would also like to fully or partially refinance the existing loans of USD 33 mln to local banks to improve the cash flow and P&L profile of the Company.

The expansion will allow the company to increase export volumes to traditional export markets using the economies of scale and expand to new markets in a longer term. The excess demand from current off-takers gives the opportunity to increase the exports without any additional sales efforts. The high quality products are highly demanded in different regions and new partners are eager to start cooperation with the Company. The expansion will be at a lower cost than the construction of the previous hectares of the greenhouse. Given the existing service area and other amenities the expansion project will take advantage of the economies of scale.

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PROJECT FINANCIAL INDICATORS:

Investment	USD 26M
Sales	USD 27.5 M (second operational year)
EBITDA	USD 18.0M (second operational year)
Net Profit	USD 10M (second operational year)
IRR	54%
Payback Period	18 months