

Aan: 10.2.e) <10.2.e @minezk.nl>

Onderwerp: FW: correcte versie

En hierbij nog een aangepaste versie

Groet

10.2.e

Van: 10.2.e <10.2.e@refugeecompany.com>

Verzonden: zondag 29 maart 2020 19:26

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Onderwerp: correcte versie

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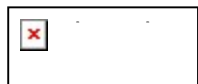
Hoi 10.2.e

Er stond nog een fout in slide 4, dit is de juiste versie, excuses.

Groetjes 10.2.e

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Maandag en donderdag tot 13.30.



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MONDMASKERFABRIEK.NL

BUSINESS CASE



A BEAUTIFUL MESS

powered by Refugee Company

INTRODUCTION

In March 2020, due to the so called Corona crisis, A Beautiful Mess started producing surgical masks. Supply had become dangerously low and everybody with professional sewing machines started producing surgical masks to fill this shortage.

Lacking the raw material Philips helped with their vacuum cleaner bags and we consulted them writing this plan. With our Chinese network, and the help of KLM, we sourced raw material (N95) for 25,000 masks within four hours, which arrived 20 hours later in Amsterdam.

A Beautiful Mess has 10 professional sewing machines. Together they produce 120 surgical masks per hour. This is too little, too expensive and only by exception approved by the RIVM. A single mask production line can produce 100 items per minute. If necessary, it can be operated in shifts and deliver 140.000 items per day.

A Beautiful Mess is a subsidiary of Refugee Company, a social enterprise + foundation combination that is particularly well suited to engage in a mouth cap production. The foundation has many corporate relationships that can help us to get the necessary deals. There is a large pool of motivated and skilled people who would be very happy to step up and participate. And “A Beautiful Mess” will deliver the necessary practical ‘can do’ mentality to make this project a success.

PROPOSAL

10.1.c



STRATEGIC POSITION

A single 10-ton truckload with raw material holds a supply of 3 million surgical masks.

Set up a production 'machine gun' for protective masks with sufficient stock to guarantee delivery in case of supply chain disruptions. This local-for-local strategy is a credible solution for a supply guarantee, as:

- raw material will be in better supply and faster to source than final product;
- it is more feasible to stock raw material than final product;
- not as vulnerable to foreign export restrictions like what has happened recently;
- enables us to help others who suffer from shortages.

During an outbreak the demand rises rapidly, commercial stocks deplete in matter of days. Consumer demand - that helps significantly to reduce the outbreak - worsens the situation. We will be able to guarantee supply and make mass distribution of masks possible like it is done in Asian countries.

If the recommendations of the clinical experience in China are followed, the demand for surgical masks will increase dramatically. This proposal aims for the current practice but the future requirements would support the case even more.

THE PLAN

10.1.c



phase 1: surgical mask



dust mask - FFP1



FFP2



FFP3

FINANCIAL SUMMARY

10.1.c



SALES

Initial sales will be performed by the ~~Refugee~~ Company network with Philips as our launching customer.

A sales manager with sales support will take this further.

The market is very volatile and a surplus of production capacity will at some point hit the market. There will be two mitigating strategies for this: sales agreements will have twelve months minimum contract length and the guaranteed delivery (hereafter the Iron stock clause) will give the company a unique selling point.

At the moment the product is expensive which will help to rapidly depreciate the investment and pay back the loan in six to twelve months.

IRON STOCK CLAUSE

Once there is confidence in the production performance, the company can take guaranteed delivery agreements based on minimal stock requirements per customer. The company will keep stock per customer and it will be a factor of the customer's regular order flow (for example a guaranteed stock of six months).

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1. See also further: a customer can keep an iron stock of raw materials for guaranteed delivery
 2. Handbook of COVID-19 Prevention and Treatment, Zhejiang University School of Medicine: page 5
 3. The production line will be sourced from China. We have not yet selected the final supplier - that would be pending the funding. We have a network in China including engineers that can support us in the sourcing.

PRICE AND MARGIN

Sales price is cost based: COGS plus labor and other cost plus rapid depreciation plus 15% margin. The depreciation is used to pay back the investment loan and covers the entire investment cost and is set per customer and equal to the contract duration (hence, a longer contract leads to a lower price).

Production is set for two shifts at 80% capacity: 75,000 units per day. A third shift can be added and the capacity can be increased to a total production of 140,000 units per day.

Based on this model the sales price will become approximately 10.1.c per piece (current price is 10.1.c). Once the raw material prices drop and the depreciation is set to a normal level, we expect the sales price can remain competitive.

RISKS

Trying to get a production line operational is rather risky. We understand this and try to mitigate it where we can. Perhaps the largest risk is the urgency. If you need to go fast, take small steps. We aim for surgical masks and from there step up for the more complicated certified products. In the midst of the crisis it is not possible to fly to China and check the machine supplier. We do have a large network in China, among them is the chief responsible manager at BYD who has set up a mask production line and who is willing to advise us. And there will be a local engineer checking the machine for us before it will be shipped. And beside that we will try to source two machines from two different suppliers simply to mitigate downstream risks at transportation, setup and commissioning.

If we can do it, many others can do it as well. And probably there are initiatives under the radar and in fact may have even already shipped equipment to the Netherlands. The business plan aims for a longer term relationship, an ambition that could be challenged if suddenly a lot of local production capacity would arise. But, it has also been planned to depreciate rapidly, and thus if the business would end after the corona crisis, it will be anticipated.

COMPANY STRUCTURE

A Beautiful Mess is a certified social enterprise. Making a profit is not our purpose, but merely a tool to achieve our goals. We primarily operate from a social mission (impact first). Our main objective is to enable refugees to take an important step towards social and economic independence. Through the activities of our commercial subsidiaries, we gain income that covers part of our expenses. 70% of our profit is directly invested into our mission. On our website you can read how we secure our social license to operate. We joined Social Enterprise NL in 2016.

For the production of surgical masks a new company is founded based on the same structure as our other social enterprises. The total company including the foundation in 2020 has an estimated value of €1.2 million. The shareholders of the company are:

- Stelwagen Industries B.V. 20% - Jaap Stelwagen
- Naz Kawan 20%
- Tasman Holding bv 20% - Johan Blom
- Holding A Beautiful Mess 40% - Fleur Bakker
- Priority share: Foundation Refugee Company.

Project management hourly rate is limited to € 600 per day. For each manager there is a stock option plan for another € 600 per day at the company's current valuation. The company is re-evaluated every year.

SOCIAL BUSINESS CODE

In November 2019, we were admitted into the Register of Social Enterprises. When a company is included in this register, it creates trust. Everyone—from consumers to governments, and from employees to investors—can see that the company acts as a social enterprise across all aspects of its business operations. Companies admitted to the register adhere to the Social Enterprise Code, which can serve as a guide on the road to growth and improvement. By joining this register, we also have become part of a learning network. The new company we have founded is based on the exact same principles as our other enterprises.

APPENDIX CERTIFICATION

Necessary certifications

NEN-EN 149:2001+A1:2009: surgical masks do not need certification;

CE accreditation: can be initiated online and with government help

processed in three days;