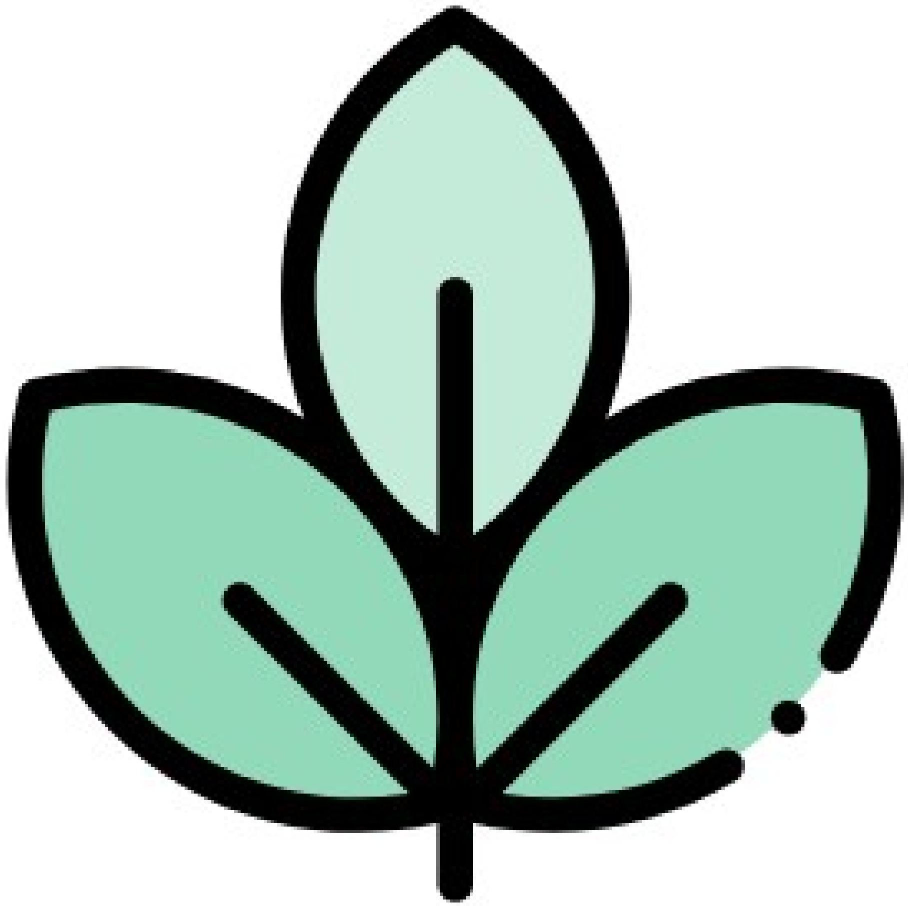

Financial Feasibility Study Report

For the intendent reader only

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Methodology

This Feasibility Study examines various industry, location and Company specific details. The focus of this report is to provide a detailed financial feasibility study by calculating the following two metrics:

Net Present Value (NPV)

NPV is determined by discounting the projected free cash flow the company will generate in the future, as well as its estimated terminal value.

Terminal value (the estimated value of a company at the end of its forecast period) is calculated by averaging the results of the perpetual growth method and the multiple method. This approach considers both the company's fundamentals and the valuations of similar public companies. The perpetual growth method uses the estimated long-term growth rate and the company's cost of equity. The multiple method assigns a value to the company based on the values of comparable public companies.

Methodology

The project's estimated cash flow and the terminal value of the project are then discounted based on the cost of equity calculated. The cost of equity indicates the rate of return required by investors given the risk of the company. It is calculated by taking into consideration the market risk premium of the company, the beta of the industry wherein the company is operating in and the risk-free rate of the company's country of operation.

Additionally, a Company specific risk is added to the cost of equity rate (maximum of 5.0%). The Company specific risk comprises of the following:

Forecast risk

indicates the level of conservatism of the forecasts used

Management risk

the risk arising from the co-founders level of experience

Start-up risk

the risk of successfully operating a start-up compared to a mature Company

Methodology

Internal rate of return (IRR)

The IRR is a metric used to assess the profitability of an investment. A positive IRR suggests that the project or investment is expected to generate a return for the organization.

Conversely, a negative IRR indicates that the project is anticipated to cost more than it earns. In general, a negative IRR indicates that the project is not financially feasible.

For further information, please refer to the Abbreviations section.

Company Overview

BubbleBean Co.

BubbleBean Co. creates fun, eco-friendly packaging solutions that make brands stand out sustainably.

Industry

Non-Paper Containers & Packaging

Industry group

Containers & Packaging

Business sector

Applied Resources

Operational

2025-01-01

Country of Operations

United States

Country of Incorporation

United States

Co-founders

2

Full time employees

1

Paid up capital

120,000

Performed by **Founder** Purpose **Fundraising** Currency **United States Dollar**

Company Overview

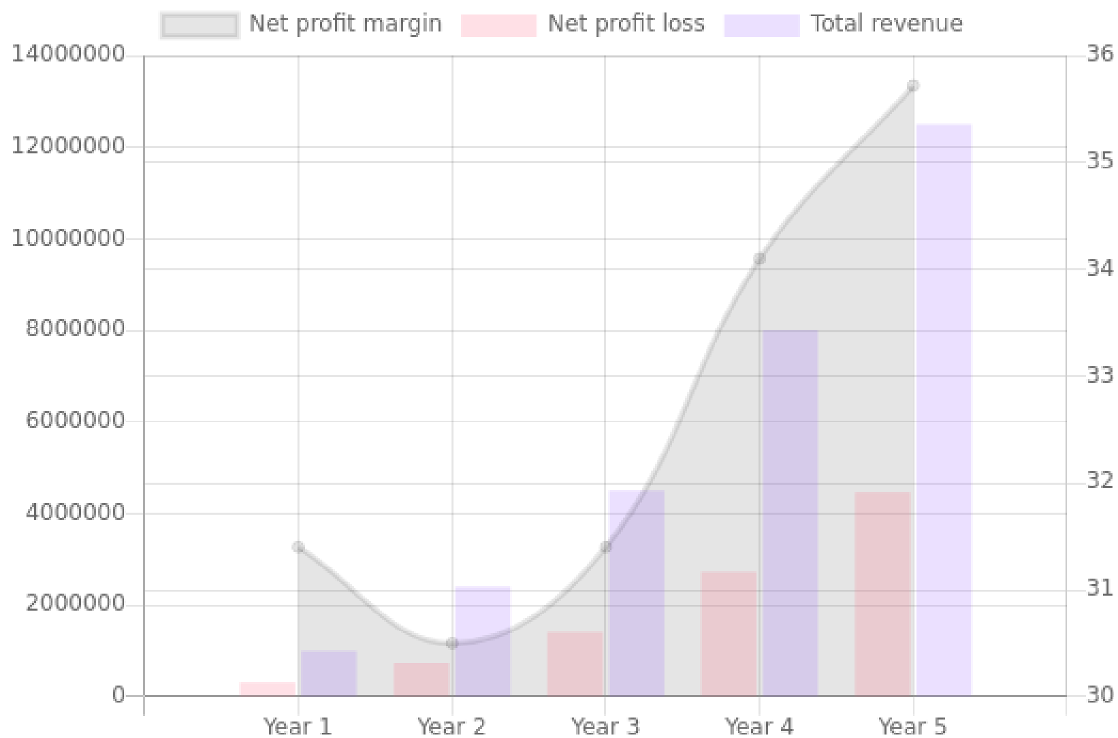
Shareholder Structure

33.00% Sophie Greenfield

33.00% Ethan Brightwell

33.00% Mia Cloverfield

Financial Overview



Company Qualitative Traits

Business Model

Scalable business

Yes, the business is scalable

Business model

Business to consumers (B2C)

Company's current stage

Development (Working on the project and setting up operations)

Estimated number of advisors

1

Exit strategy

No, we currently do not have an exit strategy, however, we will set up a plan for in the future

Company Qualitative Traits

Market

Addressable market size (USDm)

1,000,000

Market annual growth rate

12 %

Market barrier to entry

Low

Market level of competition

Dominated by 2-5 players

Comparable company name

EcoPop Creations

International expansion

Not sure, international expansion entails big challenges for us

Legal and tax

Legal entity incorporated

Yes

Company type

Limited liability partnership

Legal cases filed against the company

No

Company tax situation / risk

Good

Corporate governance implemented

Average

Company Qualitative Traits

Team

Co-founders average years of experience

15years

Total team years of industry experience

50years

Co-founders previous managerial background

Yes, at least one of us has been employed as a top-tier manager (VP and above positions) or has held a similar position in his or her own company

Co-founders previous entrepreneurial experience

Yes, however, the company did not continue and was eventually closed

Product

Product/Service stage

Minimum viable product (MVP): We have a product with minimum features that is already released

Product/Service feedback received

Fairly positive

Product/Service compared to existing competitors

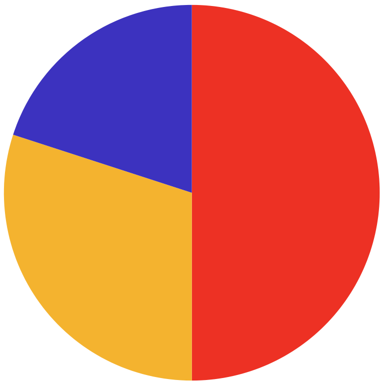
Comparable, but with different characteristics

Company's relationship with partners(example, suppliers, distributors or affiliates)

Informal agreements already in place

Initial Investment Breakdown

Initial investment breakdown

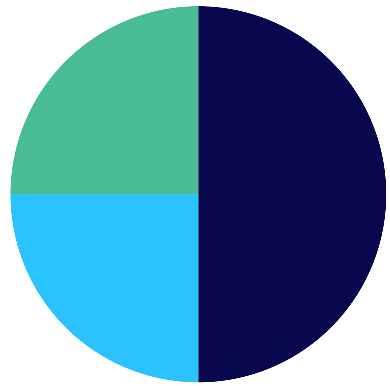


50,000.00 USD
Product

30,000.00 USD
Capital expenditures (CAPEX)

20,000.00 USD
Other

Pre-operating expenses breakdown



10,000.00 USD
Salaries

5,000.00 USD
Sales & Marketing

5,000.00 USD
Other

Feasibility Study Result

57,689,900
Net Present Value (NPV)

696.14x
Cash on cash return

441.33%
Internal rate of return (IRR)

120,000
Total initial investment (including pre-operating expenses)

120,000
Equity (including pre-operating expenses)

0
Debt

3.63%
Company specific risk

72,815,559
Terminal Value

7.85%
Cost of equity

Net Present Value (NPV)

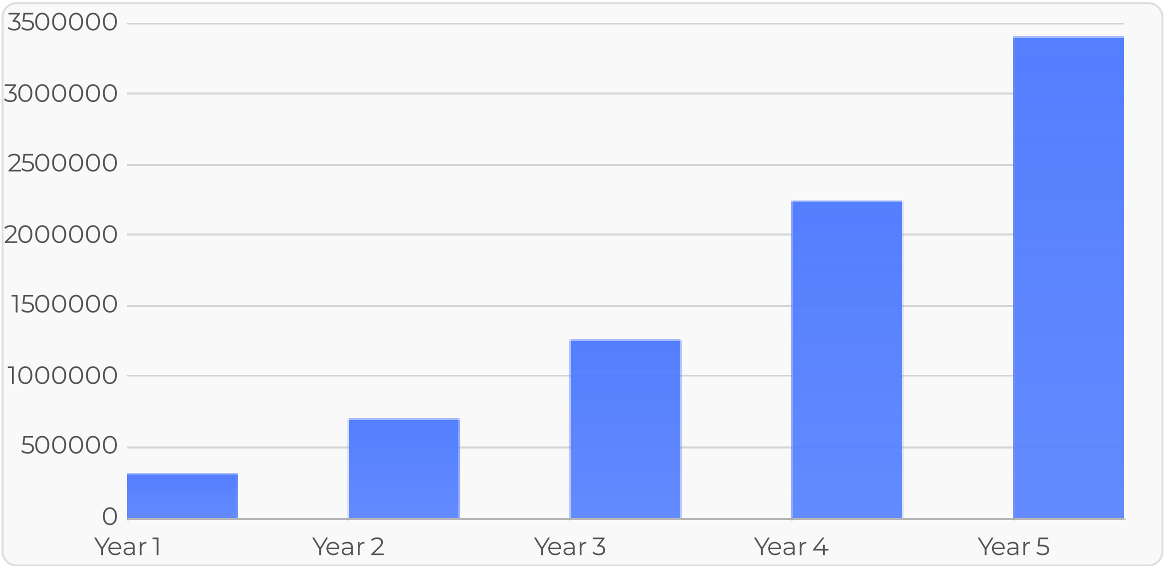
Net Present Value

57,689,900 USD

Cost of Equity Parameters

Risk free rate (RFR):
0.69 %
Beta:
0.68
Market premium:
5.20 %
Company specific risk:
3.63 %
Cost of equity:
7.85 %
Long term growth:
1.70 %
Illiquidity discount:
30%
Implied EBITDA multiple:
11.47
Discounted terminal value:
49,900,317

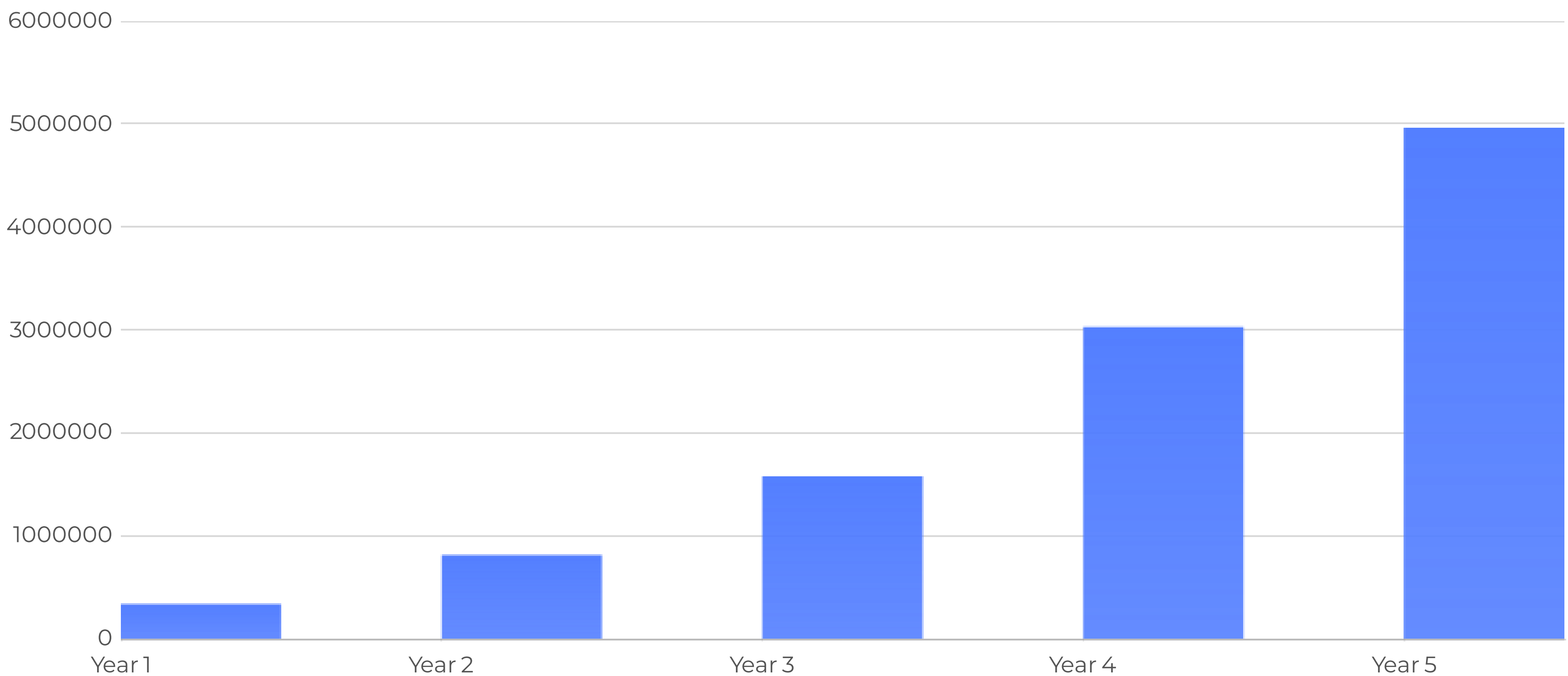
Discounted Free Cash Flow



Internal Rate of Return (IRR)

Internal rate of return (IRR)	Implied EBITDA multiple	Terminal value
441.33 %	11.47	72,815,559

Free Cash Flow



Sensitivity Analysis

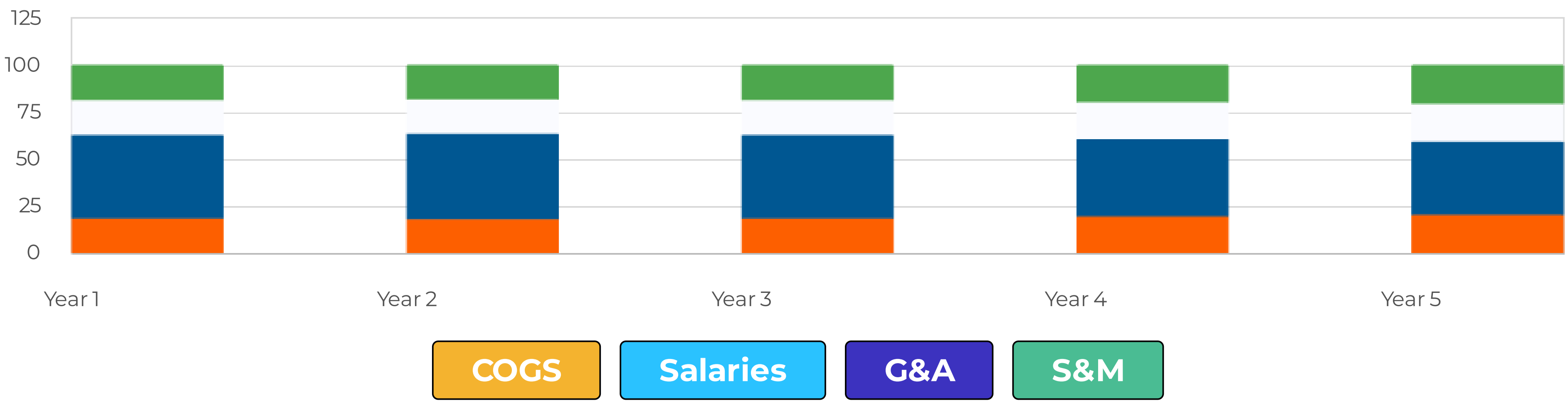
The sensitivity analysis examines the impact of changing the EBITDA multiple used in calculating terminal value on the net present value (NPV).

The analysis models scenarios where the EBITDA multiple is increased or decreased by 10%, 20%, and 30%.

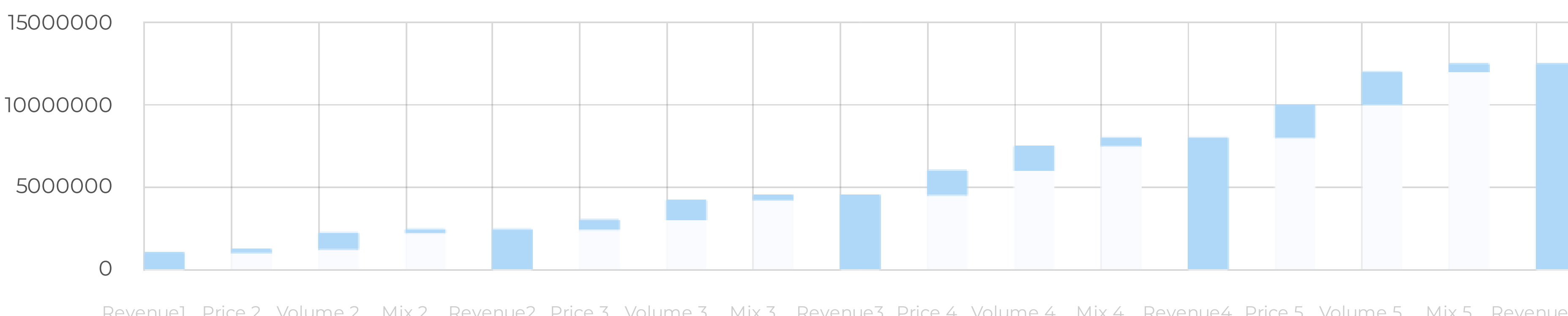
EBITDA Multiple (TV)	Net Present Value (NPV)
7.01	51,155,914
8.01	53,333,909
9.01	55,511,904
10.01	57,689,900
11.01	59,867,895
12.01	62,045,890
13.01	64,223,885

Projected Income Statement Analysis

Expenses analysis (% of total expenses)

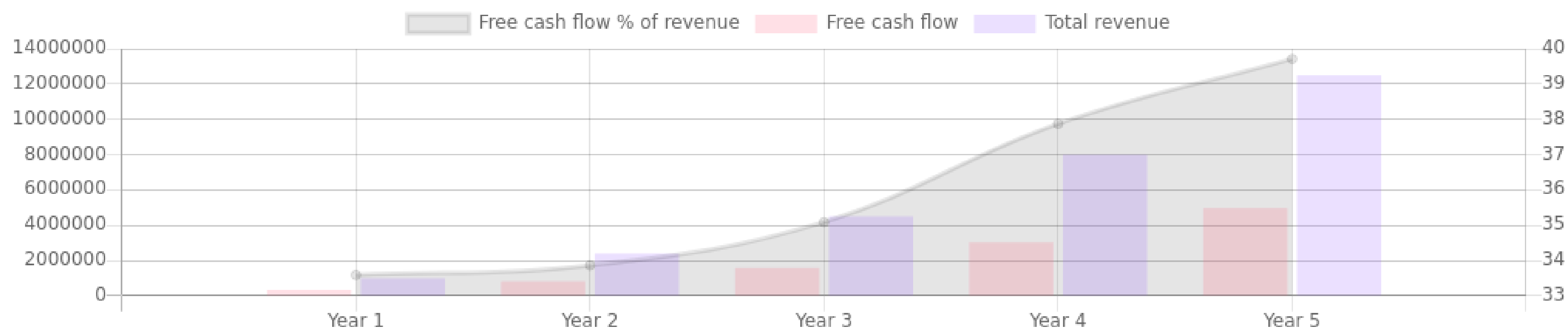


Price volume mix analysis (Revenue)

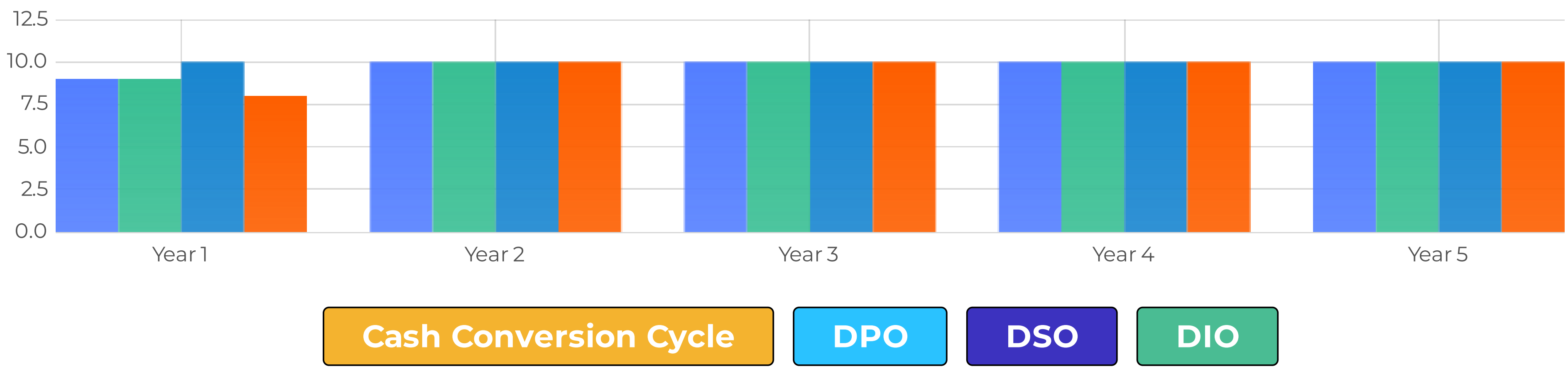


Projected Cash Flow Statement Analysis

Free cash flow (FCF) % of revenue

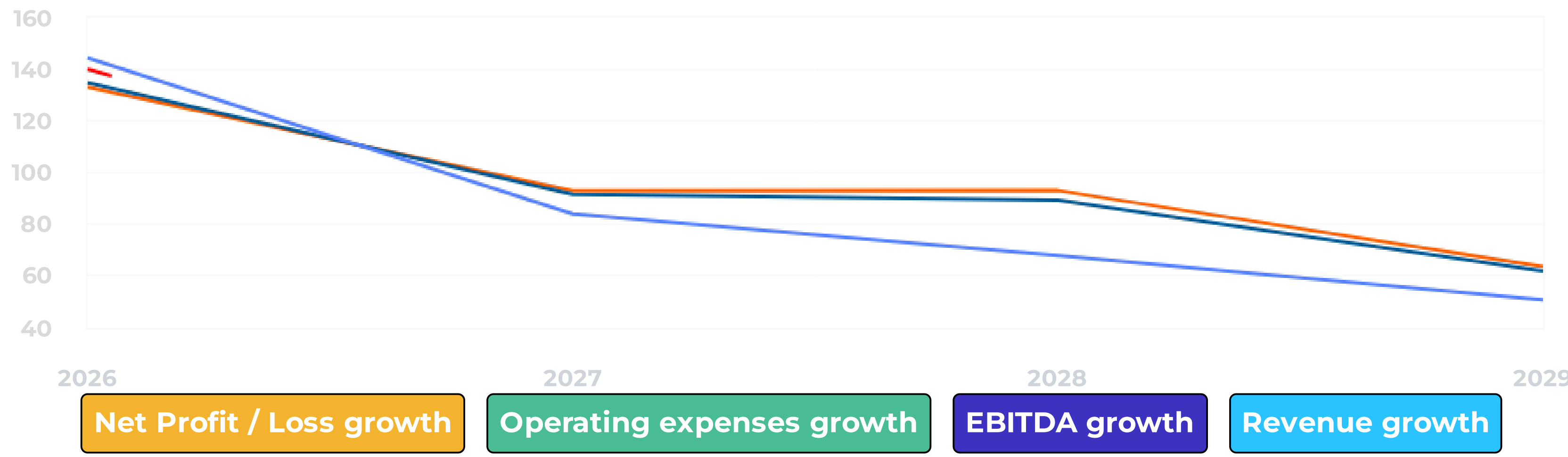


Cash conversion cycle (Working Capital)

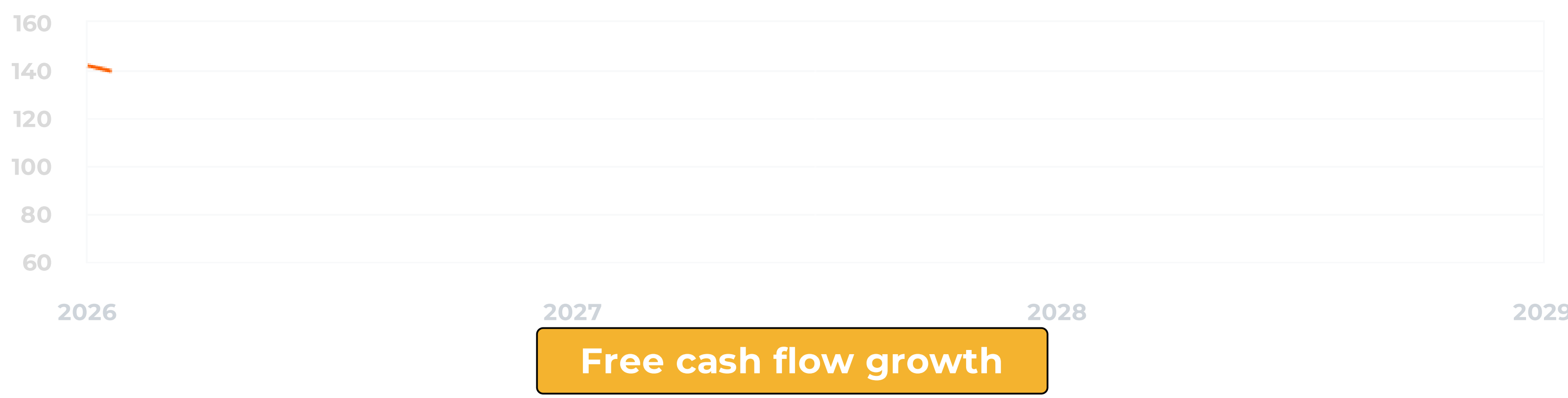


Growth Analysis

Projected income statement growth (%)

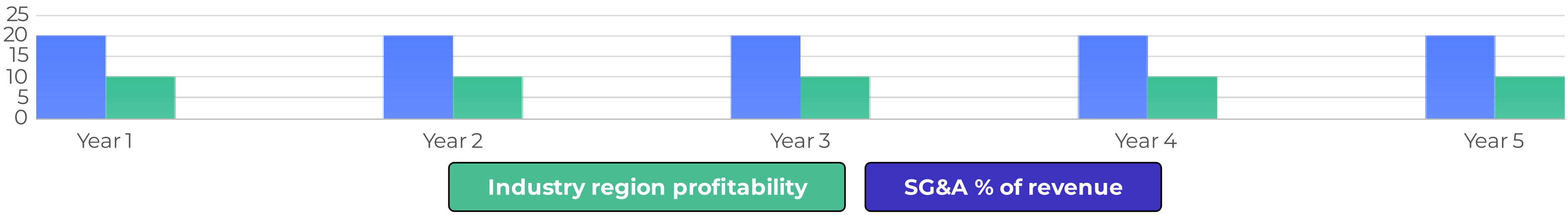


Projected Free Cash Flow Growth (%)

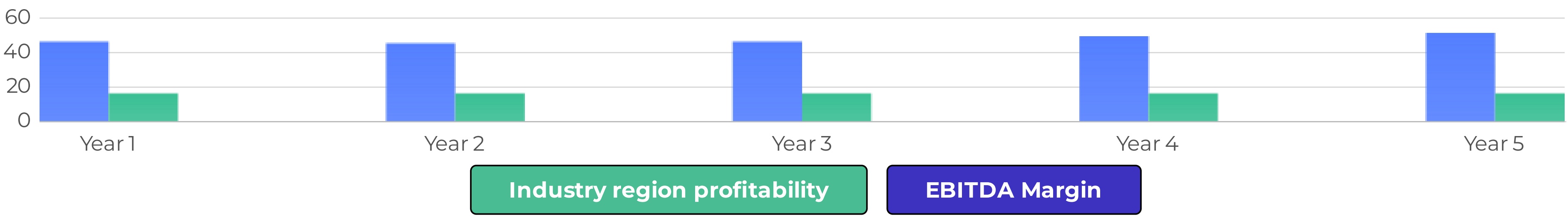


Profitability Ratios Industry Comparability

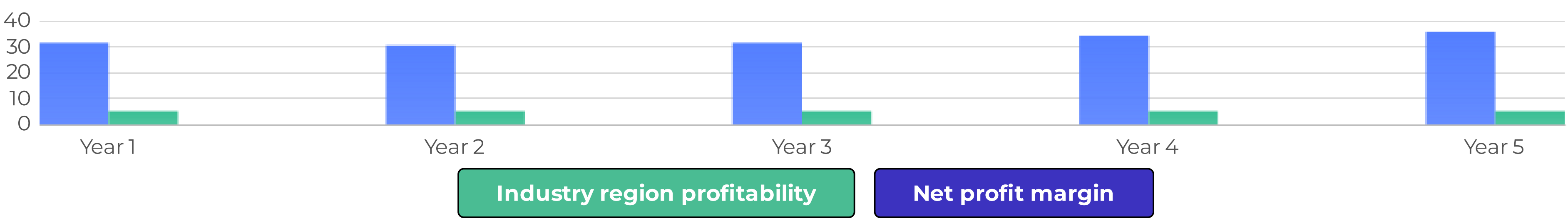
SG&A % of revenue



EBITDA margin



Net profit margin



Appendix (A): Projected Income Statement

Description	Year 1	Year 2	Year 3	Year 4	Year 5
Average price per unit sold / service performed	1,000	1,200	1,500	2,000	2,500
Total number of units sold / services performed	1,000	2,000	3,000	4,000	5,000
Revenue	***1,000,000***	***2,400,000***	***4,500,000***	***8,000,000***	***12,500,000***
Cost of Goods Sold (COGS) / Direct Expenses	*100,000*	*240,000*	*450,000*	*800,000*	*1,250,000*
COGS / Direct expenses % of revenue	*10%*	*10%*	*10%*	*10%*	*10%*
Number of employees	10	20	30	40	50
Average monthly gross salary (incl. benefits)	2,000	2,500	3,000	3,500	4,000
Salaries	*240,000*	*600,000*	*1,080,000*	*1,680,000*	*2,400,000*
Salaries % of Revenue	*24%*	*25%*	*24%*	*21%*	*19%*
General and administrative (G&A)	*100,000*	*240,000*	*450,000*	*800,000*	*1,250,000*
G&A % of revenue	10.00 %	10.00 %	10.00 %	10.00 %	10.00 %

Appendix (A): Projected Income Statement

Selling and marketing (S&M)	100,000	240,000	450,000	800,000	1,250,000
S&M % of revenue	*10.00 %*	*10.00 %*	*10.00 %*	*10.00 %*	*10.00 %*
Operating expenses	***540,000***	***1,320,000***	***2,430,000***	***4,080,000***	***6,150,000***
EBITDA	***460,000***	***1,080,000***	***2,070,000***	***3,920,000***	***6,350,000***
EBITDA Margin	*46%*	*45%*	*46%*	*49%*	*51%*
Depreciation	100,000	240,000	450,000	800,000	1,250,000
EBIT	***360,000***	***840,000***	***1,620,000***	***3,120,000***	***5,100,000***
EBIT Margin	*36%*	*35%*	*36%*	*39%*	*41%*
Interest Expenses	0	0	0	0	0
EBT	***360,000***	***840,000***	***1,620,000***	***3,120,000***	***5,100,000***
Income Tax	45,998	107,998	206,998	391,998	634,998
Income Tax % of EBT	*13%*	*13%*	*13%*	*13%*	*12%*
Net Profit / Loss	***314,002***	***732,002***	***1,413,002***	***2,728,002***	***4,465,002***
Net Profit / Loss Margin	*31%*	*31%*	*31%*	*34%*	*36%*

Appendix (B): Projected Cash Flow

The cash flow projections shown below indicates the company's projected net profit after depreciation, working capital (WC), capital expenditures (CAPEX) and debt payments.

Description	Year 1	Year 2	Year 3	Year 4	Year 5
Net profit / loss (before interest)	314,002	732,002	1,413,002	2,728,002	4,465,002
Depreciation	100,000	240,000	450,000	800,000	1,250,000
Net Profit (After Depreciation)	*414,002*	*972,002*	*1,863,002*	*3,528,002*	*5,715,002*
Accounts receivables	-28,089	-39,326	-58,989	-98,315	-126,404
Inventory	-2,739	-3,836	-5,753	-9,589	-12,329
Accounts payable	2,739	3,836	5,753	9,589	12,329
Change in Working Capital	-28,089	-39,326	-58,989	-98,315	-126,404
Operating Cash Flow	***385,913***	***932,676***	***1,804,013***	***3,429,687***	***5,588,598***
Capital expenditure	-50,000	-120,000	-225,000	-400,000	-625,000

Appendix (B): Projected Cash Flow

Debt payment	0	0	0	0	0
Debt acquired	0	0	0	0	0
Interest expense	0	0	0	0	0
Financing Cash Flow	***0***	***0***	***0***	***0***	***0***
Cash for the Period	335,913	812,676	1,579,013	3,029,687	4,963,598
Beginning Cash Balance	0	335,913	1,148,589	2,727,602	5,757,289
Ending Cash Balance	***335,913***	***1,148,589***	***2,727,602***	***5,757,289***	***10,720,887***

Abbreviations

Abbreviation	Description
CAPEX	Capital Expenditures
COGS	Cost of goods sold
DSO	Days sales on hand
DIO	Days inventory on hand
DPO	Days payable on hand
EBIT	Earnings before interest and taxes
EBITDA	Earnings before interest, taxes, depreciation and amortization
FCF	Free cash flow
G&A	General and administrative expenses
IRR	Internal rate of return
NPV	Net present value
RFR	Risk free rate
S&M	Selling and marketing expenses
SG&A	Selling, marketing, general and administrative expenses

Abbreviations

Beta

Beta quantifies an industry's volatility relative to the overall market. A beta of one indicates that the industry's risk is equivalent to the market average. In contrast, mean reversion adjusted beta acknowledges the tendency of betas to converge towards the market mean over time and is only used in our terminal value calculations.

Cash conversion cycle

The cash conversion cycle is a metric that measures how long it takes a company to turn its inventory into cash from sales. For example, if a company buys supplies on credit with a 30-day payment term, holds those supplies in inventory for 50 days before selling them, and then collects payment from customers in 40 days, the cash conversion cycle would be 60 days (40+50-30). Ideally, companies aim for a shorter cash conversion cycle to improve cash flow management.

Company specific discount

Company specific discount is a discount applied to a company's valuation to account for specific internal risks that could negatively impact the company’s future performance.

Abbreviations

Cost of equity

The cost of equity represents the return that investors should expect from an investment given its level of risk. It is calculated by considering various factors, including the company's country of operation, the risk-free return, the sector the company is operating in and the market risk premium.

Depreciation

Depreciation measures the decrease in an asset's monetary value over time due to factors such as wear and tear, obsolescence, or usage. Assets like vehicles, buildings, machinery, and technology equipment are subject to depreciation.

EBITDA / EBIT / Net profit margin

Profit margin is a financial ratio that measures the profitability of a company. It shows how much profit a company makes for every dollar of revenue it generates relative to a certain indicator. For example, a net profit margin of 10% indicates that for every S1 of revenue a company generates, it earns $0.10 in profit.

Forward revenue

Forward revenue relates to the forecasted revenue during the next year (i.e. T+1).

Free cash flow

Free cash flow represents the cash a company generates from its core operations, minus the funds invested in capital expenditures (CAPEX) and adjusted for any changes in debt levels.

Abbreviations

Illiquidity discount

illiquidity discount refers to a discount applied to a company's valuation given that it cannot easily be sold without a loss / discount in value.

Implied multiple

An implied multiple is a valuation metric derived by comparing a company's specific metric (e.g., earnings, revenue) to a benchmark multiple (e.g., revenue multiple, price-to-earnings ratio, enterprise value-to-EBITDA ratio).

Market risk premium

Market risk premium is the excess return that investors expect to earn from investing in an investment compared to the risk-free rate. In other words, it's the additional compensation investors demand for taking on the risk of investing in a company rather than investing in a risk-free asset.

Price volume mix analysis (revenue)

Price volume analysis illustrates how changes in price and sales volume affect revenue each year.

Risk free rate

The risk-free rate is the return on a risk-free investment, like a government bond. It's the interest an investor expects without taking on any risk. In general, the higher the risk of an investment, the higher the return an investor would demand above the risk-free rate.

Abbreviations

Terminal value

Terminal value is the estimated value of a company at the end of its forecast period.

Working Capital

Working capital is the current assets minus the current liabilities of a company. It represents the amount of money a company has available to meet its short-term obligations and fund day-to-day operations.

Sources

Revenue and EBITDA multiple / Industry Beta / Market Risk Premium

Source: Prof. A. Damodaran, NYU Stern School of Business Update: Annual Notes: EBITDA multiples is used for valuing mature companies, while, forward revenue multiples are used for start-up companies.

Risk free rate (5/10 year government bond rates)

Source: Trading economics, International Monetary Fund (IMF), C-Bonds and other websites Update: Semi- annually (Could be updated more frequently, depending on the market conditions)

Long term growth

Source: Trading economics.com and International Monetary Fund (IMF)

Sources

Iliquidity and Company specific discount

Front Figure analysis

Company specific discounts

According to Front Figure’s research and analysis, the following company specific risks are applied and added to the cost of equity: Forecast risk, ranges between 0.0%-1.0%, depending on the level of conservatism of the forecasts used in the valuation applied Management risk, ranges between 0.0%-1.0%, , depending on the co-founders previous experience Start-up ranges between 0.0%-2.0%, , depending on the company’s current stage of development Legal risk, ranges between 0.0%-0.5%, depending on the legal status of the company (i.e. if there are any legal cases filed against the company) (Only used in Valuation)

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