

Construction of a furniture production workshop in Almaty



Product

Production capacity: 737,404 units annually, namely: chairs – 662,702 units; benches – 20,616 units; armchairs – 54,086 units.
Domestic demand: 2,201 thousand units, namely; metal-frame seating furniture – 1,632 thousand units; wooden-frame seating furniture – 569 thousand units.

Investment attractiveness of the project:

Investment – US\$ 7,141 thousand
NPV – US\$ 7,876 thousand
IRR – 27.2%
Payback – 7.2 years

Project

The Project envisages the construction of a workshop to produce 737 thousand chairs, benches and armchairs per year under the Zeta brand in Kazakhstan..

Company

P.T.Z. LLP is part of the Zeta group of companies (the “Group”), which has 25 years of experience in furniture production and trading.

The Group incorporates five furniture production plants in Almaty and one in Nur-Sultan; 50 stores in 26 towns and cities around Kazakhstan and several branches in other CIS countries.

The share of Kazakhstan content in finished products is approximately 80%. The Company employs over 3,000 people and produces in excess of 6,000 different items.

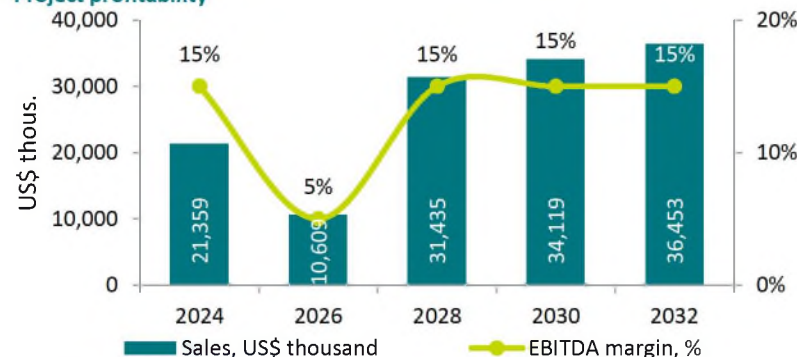
Market

- According to GR&DS, global upholstered metal-frame seating furniture sales will almost double to 51 billion USD with CAGR reaching 14.46% (2020-2025).
- According to GS&DS, in Kazakhstan demand for adjustable seating furniture will reach 31 million USD in 2025 (CAGR at 12.9% in 2020-2025). Demand for upholstered and metal-frame furniture will reach 25.5 million USD (CAGR at 18.3% in 2020-2025). The positive trend may be due to the growth in real estate purchased in Kazakhstan.

What is the attractiveness of the project?

- **Low production costs and competitive selling prices.** The Company has a good supply base for raw materials and parts (Kazakhstan content is 80%). Thus, the production process does not require resources to be purchased from overseas. Finished items are lower in price than imports whose end cost includes significant transportation costs etc.
- **Good location.** Production has been planned for Almaty, the country’s most densely populated and economically active city. The Almaty agglomeration has well-developed road and logistics infrastructure in place, which is one of the deciding factors influencing successful Project implementation.
- **Vast experience in the furniture market.** ZETA has 25 years of market experience, and is a well-known brand among B2B and B2C consumers.

Project profitability



Location of the project





Construction of a furniture factory

Product

Production volumes in 2025:

- plywood – 12,216 cubic m/year;
- stepladder – 462,863 units/year;
- pellets – 14,029 tonnes/year.

Investment attractiveness of the project:

Investment – US\$ 21,519 thousand
 NPV – US\$ 13,003 thousand
 IRR – 23.3%
 Payback – 6.5 years

Project

The Project envisages the construction of a plant for the production of solid wood products, the list of which includes plywood, a Bekvam stepladder and pellets.

Company

Initiator of the project is Aptha Kazakhstan LLP, whose core activity is a production of chairs and other seating furniture.

The main potential participant of the Project and co-founder of the Company is a Bosnian company Aptha Corp. specializing in the production/export of wood products, including for IKEA.

Market

- According to GR&DS, the market for other chairs will grow from 14.3 US\$ million in 2020 to 22.7 US\$ million in 2025, reaching CAGR of 9.73%.
- Imports of birch plywood in monetary terms showed significant growth over the period 2017-2019, with a compound annual growth rate of 23.8% (CAGR - 23.8%). In 2020, however, this figure decreased by 24% compared to 2019. Import substitution potential is valued at 17.2 US\$ million.
- Imports of wood pellets to the RK showed significant growth during the period 2016-2018, with a compound annual growth rate of 75% (CAGR - 75%). In 2019, the volume of imports decreased to 1,000 tonnes. In 2020, an increase in supplies from the Russian Federation led to an almost two-fold increase in imports which amounted to 1,960 tonnes.

What is the attractiveness of the project?

- **Advantageous production location.** The developed and ramified system of railroads of Trans-Siberian Railway and South Urals Railway, present in North Kazakhstan region, provides a short transport shoulder and allows to arrange both delivery to nearby countries and supply of raw materials. The region possesses rich wood fund, where suppliers of wood raw material have the permits for cutting of wood in 20 of 39 forestries of North Kazakhstan regionю
- **Budget segment products and waste-free production.** The demand for chairs and plywood is always relevant due to their relatively low price and wear resistance, especially when launching programs to support the construction sector and commissioning residential buildings and office space. It is planned to produce pellets from compressed waste for export.
- **An established customer base** of Aptha Corp. will reduce the marketing costs of building a customer base for product sales.

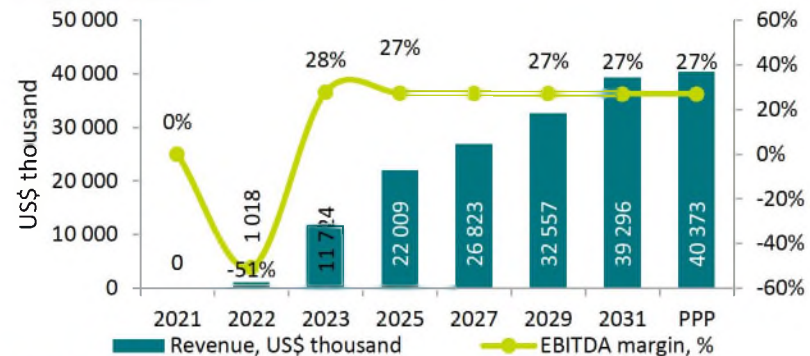
Investment proposal

The Project requires investment of \$US 21,519 thousand, of which:

- 70% (USD 15,063 thousand) – debt financing subject to collateral;
- 30% (USD 6,456 thousand) – Investor participation.

The proposed financing structure and state support measures are indicative. The final financing structure and Project interests will be determined based on the results of negotiations with the investor.

Project profitability



Location of the project

