LIBERA UNIVERSITÀ INTERNAZIONALE DEGLI STUDI SOCIALI

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Financial Reporting and Performance Measurement

I.F.E. SpA

ITALIAN FOOD EXPORT

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“Non è forte colui che non cade mai,

ma colui che cadendo si rialza.”

Goethe

Alla mia famiglia,

fonte di amore, forza, coraggio, gratitudine e lealtà.

Grazie.

Introduction

In management, there are some key skills that a manager must be familiar with. Create a business plan is one of these. The business plan is intended as a strategic document on what a new or already existing organization wants to implement in order to achieve specific objectives of competitiveness and sustainability. Today, in an economy completely transformed and highly competitive, this expertise can make a difference and is an advantage for those who can implement it. Indeed, the business plan should consist of all the necessary information to make a decision by investors, banks, and the board of directors.

A business plan is especially useful if the company is about to take an important step in its development, whether this is the founding of a business, the introduction of a new product, expansion abroad, the acquisition of another company, or the creation of a succession plan. In these and similar cases, it is crucial to show, with the help of a business plan, that there is an opportunity for future success. This requires a precise market assessment and planning of the company's activities.

Writing a business plan compels management to clearly present its plans and goals. The business plan also allows management to show prospective business partners or future members of management the opportunities and risks of the proposed business strategy. It creates transparency regarding the solutions for meeting real customer needs and thus promotes trust in the company. Together with good management, it forms the basis for long-term above average returns for the company. The business plan is therefore important as a negotiating document.

The first part of the thesis underlines what is a business plan, the strategic importance for any organization to be able to make a business plan, highlighting the structure and the benefits of a good business plan, both for internal and external purposes. The components of the financial statements will be highlighted; moreover, what are the different techniques to make a realistic financial analysis.

The second part of the thesis implements the methodology. We build a business plan for the constitution of a new company that intends trade Italian food products through a powerful platform on web. This part focuses on the discussion of the business idea, it illustrates the market and the environment where the company operates, it describes how is composed the management and the organizational structure, and how the management intends to achieve its goals. Moreover, this section clarifies the kind of products that company wants to trade and the best marketing strategy to gain as many customers as possible in order to sell them its products. Furthermore, last subsection will present the financial forecast and analysis. We implement nine different scenarios, assuming nine levels of projected sales. Farther, we analyse the business' performance for each scenario in the first five years' period, explaining what funds we will use, how debt will be paid back, and discussing about how the financial covenants features will ensure a higher debt rating, but at the same time, they could affect the policy distribution of future profits.

1 Main factors of a business plan

1.1 Why is the business plan important?

The significance of drawing up the business plan is to create a strategic document as a result of one of the most important functions included in the management of a company: planning. It helps to solidify the medium and long-term vision and to shape the strategy through a written path to successfully achieve the objectives that have been established.

There are many circumstances that require the drafting of a strategic planning process during the life of an enterprise: the launch of a new business to the expansion of an existing one, the introduction of new products or services, to the acquisition of a new company or merger with another.

The business plan requires enormous energy, analysis and time. It is a long process that helps to clarify what you want to do, why, and how, by eliminating or minimizing the obstacles that generally affect the business' success.

A business plan is the tool to obtain the necessary financial resources. Many banks and investors require a structured business plan before considering any proposal in a serious way. A supplier can even request it to undertake on critical orders because he wants to analyse the key points of a business to be sure on success probability.

The development of the different steps of the plan forces the manager to consider the different factors that contributes to the potential success. Draw up a business plan allows the manager to see how it is possible improve profitability or find new targets to be achieved by changing some factors. Indeed, a well-structured plan creates a clear path, composed of selected actions that define content, resources and schedule through a timetable and with the continuous comparison of the results with the goals.

Nowadays especially, risk management has become a discipline for which each organization must take into account in the drafting of the plans. Areas of uncertainty can severely affect partial or final results. The business plan should be able to identify, quantify and respond with alternative actions. Risk management is focused to anticipate these events, planning operations that can alleviate the output or even pushing to change the strategy to completely avoid the specific risk.

The business plan is definitely the best tool to sell an idea. It can be considered as a marketing tool to effectively communicate a strategy; a kind of advertising medium that captures the reader's attention and to transfer the value of the initiative in order to ensure its support, whether the reader is an investor, a lender, board of directors, a member of the same, organization or any interested stakeholders.

A sound and convincing business plan is an entrepreneur's important first step in starting up a profitable business. It's also a prerequisite for getting financing and attracting investors. A sound business plan describes the business operations and goals, analysis and forecasts markets and sales, sets up operating and marketing plans and schedules, and estimates operating expenses (*Dethomas A., and L. and S. Derammelaere, 2008. 'Writing a Convincing Business Plan'. Page 54. Hauppauge, N.Y.: Barron's Educational Series*).

Businesses evolve and adapt over time, and factoring future growth and direction into the business plan can be an effective way to plan for changes in the market, growing or slowing trends, and new innovations or directions to take as the company grows. Although clarifying direction in the business plan let understand where the company is starting, future vision allows the company to have goals to reach for. Business plans can be designed as a sale tool to attract partners, secure supplier accounts and attract executive level employees into the new venture. Business plans can be shared with the executive candidates or desired partners to help convince them of the potential for the business, and persuade them to join the team.

Following a business plan is also important to help to manage the cash flows. Careful management of cash flow is a fundamental requirement for all businesses. The reason is quite simple. Many businesses fail, not because they are unprofitable, but because they ultimately become insolvent (i.e., are unable to pay their debts as they fall due). Cash flow management then becomes vital when businesses pursue investment opportunities where there are significant cash out flows, in advance of the cash flows coming in. These opportunities need to be assessed against any seasonal variations in the business and the timing of the flows.

Finally, at some point, the owners of the firm will decide it is time to exit. Considering the likely exit strategy in advance can help inform and direct present day decisions. The aim is to liquidate the investment, so the owner/current investors have the option of cashing out when they want.

Common exit strategies include:

- Initial Public Offering of stock (IPO's);
- Acquisition by competitors;
- Mergers;
- Family succession;
- Management buy-outs.

Investment decisions can be taken in the present with one eye on the future via a well-thought-out business plan. For example, if the most attractive exit route appeared to be selling to a competitor, present day management and investment decisions could focus on activities that would increase the company's attractiveness to that competitor.

Given that valuing firms is notoriously difficult and subjective, a well-written plan will clearly highlight the opportunity for the incoming investors, the value of it and increase the likelihood of a successful exit by the current owner (*Gleeson A., 2008. Bplans. Page 11. London, UK.*).

1.2 The business plan

1.2.1 A powerful instrument

A business plan is a formal statement of business goals, reasons they are attainable, and plans for reaching them. It may also contain background information about the organization or team attempting to reach those goals.

Business plans may target changes in perception and branding by the customer, client, taxpayer, or larger community. When the existing business is to assume a major change or when planning a new venture, a 3 to 5-year business plan is required, since investors will look for their investment return in that timeframe (*Pinson, Linda, 2004. Anatomy of a Business Plan: A Step-by-Step Guide to Building a Business and Securing Your Company's Future, 6th Edition. Page 20. Dearborn Trade: Chicago, USA.*)

The business planning is a process to create a detailed image of what a business does and what it intends to do to get specific results. Starting with an idea, the business plan is the result of a planning process, which defines where the organization wants to go and with what resources, analysing in detail how the company competes with the competition.

It is necessary to give a winning image of the business, giving information on key factors such as leadership, management, product/service, market, technology, capital, turnover, and profitability.

"... a good business plan can help to make a good business credible, understandable, and attractive to someone who is unfamiliar with the business. Writing a good business plan can't guarantee success, but it can go a long way toward reducing the odds of failure", (*Siegel E. S., Brian R. Ford, Jay M. Bornstein, 1993. 'The Ernst & Young Business Plan Guide'. New York: John Wiley and Sons, ISBN 0-471-57826-6.*).

Basically, a business plan reviews a project or a business idea and shows its feasibility, provides the basis for decision-making for future business partners, and it helps present business ideas effectively.

Dealing with potential business partners whether it's a request for financing, a mandate for sales negotiations, or corporate consulting, the business plan is an important document. With a financing request, especially equity financing, the business plan is usually a prerequisite for evaluating the business idea. Investors who provide a company with a considerable amount of capital and are therefore willing to bear a portion of the entrepreneurial risk have to be given comprehensive information. This need has to be taken into account.

A further popular use of the business plan is if an entrepreneur plans to sell his company, the business plan will help him present his company in a transparent manner. Potential buyers will take a closer look at those companies that they believe are healthy and that can be integrated successfully. Conversely, when purchasing a company, an entrepreneur demonstrates a policy of openness to the management team of the potential acquisition by letting them have a look at his own company.

Furthermore, most banks today are no longer satisfied with historical balance sheets and income statements when making credit decisions. Instead, they increasingly focus on a company's economic prospects. While banks do not always require a business plan, this document helps present a company or a project quickly, comprehensively, and in a simple manner. A business plan is essential when establishing a new company.

However, a business plan can be used for many other purposes, such as acquiring new customers, attracting new management, succession planning, etc.

1.2.2 Business plan design

How a business plan is designed, depends on what kind of venture is envisioned and what the plan should accomplish. If a plan is being written for a start-up, for example, it will necessarily have a different structure than one that aims to launch an existing company into a new segment.

Despite such differences, business plans have a number of things in common. They are made to provide a clear and comprehensive evaluation of the opportunities and risks posed by the operation. This is no small task, and completing it will require careful attention to certain standards of design and content.

A good business plan is written in one consistent style. Several people usually work together to produce a business plan. In the end, this work must be integrated to avoid creating a patchwork quilt of varying styles and analytical depth. For this reason, it is best to have one person edit the final version. A good business plan is the calling card. Finally, the business plan should have a uniform visual layout. The fonts, for example, should be consistent with the structure and contents; effective graphics should be neatly integrated, (*McKinsey & Company, 2014. 'How to write a business plan'. Page 18. New York, USA.*).

1.2.3 Simple language

A good business plan impresses with its clarity. Readers should be able to find suitable answers to their questions. It should be easy for readers to find topics they are particularly interested in. This means the business plan must have a clear structure to enable readers to manoeuvre and choose what they would like to read.

It is not the volume of analysis and data, but rather the organization of the statements and a concentration on the essential arguments that will persuade readers. Any topic that could be of interest to the reader should therefore be discussed fully, but concisely is generally appropriate.

A business plan is not read in the presence of the author, who could then answer questions and provide explanations. For this reason, the text must be unambiguous and speak for itself. Each plan should thus be presented to a test audience if at all possible before it is finally submitted. Competition coaches, for example, can help weed out confusing passages or indicate areas still in need of editing.

A good business plan is easily understandable by the technical layman. Some entrepreneurs believe that they can impress their readers with profuse technical detail, elaborate blueprints, and the small print of an analysis.

They are mistaken. Only rarely are technical experts called to evaluate this data carefully. In most cases, a simplified explanation, sketch, or photograph is appreciated. If technical details on the product or manufacturing process must be included, it is better to put them in the different section.

1.2.4 Unbiased analysis

A good business plan convinces with its unbiasedness. A plan written like glowing advertising copy is more likely to irritate than appeal to readers, making them suspicious, sceptical or otherwise unreceptive.

Equally dangerous is being too critical of project in response to various past miscalculations or mistakes. This will raise questions about manager ability and motivation. Data presented should be accurate.

Weaknesses should never be mentioned without introducing methods to correct them or plans to do so. This does not mean that fundamental weaknesses should be hidden, just that in preparing plan, manager should develop approaches to remedying them with clarity.

1.3 Business plan structure

A well-structured business plan makes it easier for the reader to get started.

The structure, form, and content of the business plan go a long way toward determining the prospects for a project. Therefore, it is important to give an interesting and varied structure to the plan. Could be relevant to write it in English in order to involve foreign investments also.

The business plan structure has to be short, precise, and clear. Additional and background information should therefore be included in an appendix.

Most of the business plan has a standard structure with an index that indicates different sectors; each of these areas indicates a pillar of the organization (i.e. marketing, finance, production). Each section is only a component and should be integrated with the other. Generally, the standard structure can be applied to any type of business (i.e. manufacturing, retail, services, internet). Every business must include a developed text, a financial analysis based on verifiable data, describe the marketing tactics, financial projections, the processes and the team that will govern the company.

A complete business plan should contain the following milestones:

1. *Business description*: the description explains the organization; what are the components of the company and how they will put the company in its core markets. This section highlights the precise nature of the business, a brief

history of products and services and how the structure can absorb the growth forecasted in the plan.

Venture capitalists look at the executive summary first, though they usually just skim it. The quality of the summary itself is not likely to make them invest in your project, yet it can convince them not to. A clear, objective, and concise description of the intended start-up, which must be easy to comprehend, especially by the technical layperson, will show them that the manager knows the business.

The executive summary is an independent element of the business plan: It is important to do not confuse it with the introduction or the abstract of the business concept on the title page. It is necessary to look at the executive summary with a critical eye – repeatedly – especially after all other aspects of the business plan have been completed.

Readers should be able to read and comprehend the summary in five to ten minutes.

2. *Market analysis and marketing plan and sales*: market strategies are the result of a meticulous market analysis. A market analysis forces the entrepreneur to become familiar with all aspects of the market so that the target market can be defined and the company can be positioned in order to garner its share of sales.

   Market analysis broadly describes the target segments of the entire strategy, including market trends, the lifestyle of the consumer, and the geographical location. With the identification of the market segment, the marketing plan describes how to reach the costumers through a strategic communications plan that focuses on the promotion of the product, and on the analysis of price and distribution channels. The latter areas create the sales output, which generate revenues and sustainability for the entire business, allowing the management to create the sales budget. The basis for an attainable price is the willingness of customers to pay the price asked of them. This contradicts the conventional wisdom that price is derived from costs. Of course, cost is a considerable factor, but the cost-price ratio only becomes critical when the price asked will not cover costs within the foreseeable future. In this case it is advisable to get out of the business as quickly as possible or better yet, never to go into the business in the first place, (*McKinsey & Company, 2014. 'How to write a business plan'. Page 32. New York, USA.*)

It is also relevant to focus on the competitive analysis. The purpose of the competitive analysis is to determine the strengths and weaknesses of the competitors within the market, strategies that will provide company with a distinct advantage, the barriers that can be developed in order to prevent competition from entering the market, and any weaknesses that can be exploited within the product development cycle.

3. *Product and business process*: this section exposes the product or service offered, both immediately marketable products and products that will be marketed in the future. In addition to the products it is necessary to expose in detail the whole process, from raw materials to the sale to the final consumer. Already at this stage it is important to expose the product and process competitive advantage that sometimes constitutes the central pillar in terms of competitiveness.
4. *Risk Analysis and Risk Management*: in this section it is made a general analysis and summary of the organization's competitive position (considering both direct and indirect competitors), highlighting what are the main players. It is essential to define the goals that the plan must achieve, in order to constitute a progress measurement system. It is important that they are well defined, achievable and time-bound. Defining goals is crucial for the definition of the potential risks that may threaten the achievement of medium and long-term goals.

There are many ways of assessing the potential risks to a project such as completing:

- a risk register that identifies the potential risks to your project, the probability of them occurring, the likely impact on the project if the risk occurred and the ownership and management of the risks identified;
- an analysis of project's strengths, weaknesses, opportunities and threats (swot analysis);
- an analysis of the political, economic, social and technological factors that may impact on the environment in which the project operates (pest analysis);
- risk analysis is most useful when the key stakeholders of a project participate in its production. This allows for wider stakeholder considerations to be taken into account. Once the key risks have been identified the plan should explain how these would be managed, (*Big Lottery Fund, 2007. 'Your project business plan'. Page 8. Scotland, UK*).

5. *Management team and business organization*: they represent one of the crucial points of the plan describing those who run the organization and what are the organizational bases. Who evaluates a plan carefully look at this section to see if the management team and the entire organization is able to develop and carry out the activities presented. The operations and management plan is designed to describe just how the business functions on a continuing basis. The operations plan will highlight the logistics of the organization such as the various responsibilities of the management team, the tasks assigned to each division within the company, and capital and expense requirements related to the operations of the business.
6. *Forecast and analysis*: this section provides information about the current financial situation and explains important developments. Financial planning shows where the necessary funding comes from and how it is to be used to

ensure the realization of planned goals. In this way, it is possible to identify financing needs and create a financing concept.

Corporate financing is a key management task. The greater the range of options for raising capital, the higher the demands are on the company's management team for determining the right form and finding a balanced mix of financing. The business plan has to convince investors and banks that the company has the necessary business skills to be able to put together a careful, objective, and plausible financial plan as well as a solid financing concept.

It is useful to start with long-term financial planning, which is comprised of a balance sheet forecast, an income statement forecast, and a cash flow forecast. However, it is important to note that all calculations, whether of a long- or short-term nature, are interdependent and they should be prepared with this mutual dependence in mind.

The key insight is determining the financing need for the next three to five years, which can be determined using the cash flow forecast, and the funding sources. About sources of financing it is important to consider that investors and lenders appreciate when key people inside the company are also involved financially to a significant extent. For negotiation purposes, therefore, it may be a good idea to indicate what the composition of the company's capital will look like in the future. It is also useful to indicate previous financing.

Another important task is to evaluate the debt capacity, which is the freely available cash flow that a manager either distributes as profit or uses as reserves for expanding the company. Banks and other investors are mainly interested in what level of debt a company can manage.

The financial section shows what are the crucial financial data that summarize the decisions outlined in previous sections. The financial analysis should provide useful information to the reader to understand the organization's progress and the current financial position, from which the new development and business plan start. Showing the key indicators is important, such as key financial ratios, documents concerning profit and loss, balance sheet and cash flow projection. This step represents the numerical summary of the strategic plan developed, essentially is the fundamental component of the entire plan.

2 Business case: Italian Food Export S.p.A.

2.1 Business idea and business description

I.F.E. S.p.A. purpose. I.F.E. S.p.A. is an innovative start-up that wants to become world leader as Italian food electronic commerce. The goal is to sell Italian products mostly for pastry, ice cream and pizza to business units and private consumers. In these sectors, Italian products are seen as the top all over the world. I.F.E. S.p.A.'s mission is to be able to reach customers all around the world providing the whole range of Italian agri-food items with our fascinating Web site. We believe that growth opportunities are exponential.

I.F.E. idea. The idea of creating I.F.E. S.p.A. was born after years working in the chain of agro-food in Naples. The founder Claudio Granillo has two years' experience working as general manager in a family company, which provides primary products to shops in southern Italy. It is a young company that follows a real family tradition, handed down from father to son, where ancient and modern merge together in order to offer customers new genuine products. The company was founded as a food wholesale distribution of products for bakeries, pasta, pizzerias, pubs, bakeries, cafes and ice cream shops. The company distributes its products on a large part of the territory of Naples and its province, making use of valid collaborators, supplying quickly and with maximum availability and friendliness, offering constant assistance in all phases of goods' supply.

Claudio noticed the opportunity to expand the business around the world using the potential offered by electronic commerce. The business activity will be based on an electronic platform that will allows to reach customers around the world, and at the same time it gives the opportunity to reduce transaction costs otherwise faced in a small business.

Exploiting the potential of digital stores, we want to be the first Italian food platform offering visibility to products appreciated throughout the world.

Problem: absence of a leading web supplier. At the moment, companies located abroad are forced to rely on many Italian manufactures to purchase Italian products. Relying on different manufacturers corresponds to the payment of many delivery costs and waste of time. I.F.E. S.p.A. proposes itself as a leading global Italian wholesaler for bakers, pastry chefs, chocolatiers, food and beverage; we offer as well a wide range of products: food, packaging, decorations or equipment.

Product: best among Italian products and the fascinate electronic platform. As Italian Food Export we propose to bakers, confectioners, caterers and restaurants, a wide range of Italian products; approximately 6,000 products are available, the main recognized and trusted brands.

I.F.E. S.p.A. is both an interactive Web site and a commercial platform for small and medium-sized businesses. I.F.E. S.p.A. organizes, in a user-friendly way, local products. This service extends from posting food items to setting up complete interactive sales catalogues, with electronic online processing of transactions.

First years of activity. We are located in Naples, where we are confident to find lasting partners. In this area we have already identified potential partners with the warehouses needed for the business. We believe relevant to jointly invest with local firms both to exploit the partners' knowhow, and also to have the possibility of 6,000 disposable goods. We made this strategic decision to save millions of Euros from the purchase of several commodities. For these reasons, in order to start the business, we need to rely on a local retailer which has already available in its warehouse enough products to market online. Indeed, we already had contact with a couple of potential partners.

In the first year of activity, the main challenge will be the retrieval of images and information about the products to sale. We need to collect information such as height, length, depth and weight. This step is relevant to quantify the amount of delivery costs. Moreover, it is important to consider that some products require refrigeration during the warmer months. This will impact the delivery costs between 20 and 40%, as it will require prompt shipment.

Currently we have already made arrangements with the company I.G. Italy LTD for the purchase of business management software to be used to centralize the business activities such as shipping and payment. Also this software will be essential for the study and analysis of data from inventory management, marketing department, and sales, everything to make the whole process more efficient.

As the following figure shows, the management software components are varied. The company I.G. Italia will provide installation and regular maintenance of supplementary systems. We also intend to set up an IT department that will take care of the resolution of outstanding issues and the measurement and control of systems performance.

Fattura per: Progetto 1

N. articolo	Descrizione	Q.tà	Prezzo un.	Sconto 1%	Imp. Netto	IVA
	Panthera - Infrastruttura d'impresa: Sicurezza e accessi					
1	Informazioni Strutturali	1	0,00	0,00	-	22
2	Connettori e-commerce	1	850,00	0,00	850,00	22
3	Multi Azienda	1	1.600,00	0,00	1.600,00	22
	Panthera - Amministrazione e Controllo:					
4	Contabilità Generale - Gestione Cespiti	1	900,00	0,00	900,00	22
5	Agenti e liquidazione provvigioni	1	750,00	0,00	750,00	22
6	Panthera - Approvvigionamenti:					
7	Acquisti	1	0,00	0,00	-	22
	Panthera - CRM e Vendite:					
8	Vendite	1	0,00	0,00	-	22
	Panthera - Logistica:				-	22
9	Movimenti materiali e magazzini - Lotti e Tracciabilità	1	500,00	0,00	500,00	22
	Panthera - Soluzioni verticali e Add-On:				-	22
10	Panthera Subito V1	1	6.000,00	0,00	6.000,00	22
11	Verticalizzazione Acquisti Food	1	600,00	0,00	600,00	22
12	Verticalizzazione Vendite Cash & Carry	1	500,00	0,00	500,00	22
13	User Concorrenti Aggiuntivi	4	1.500,00	0,00	1.500,00	22
14	Portale B2B che consente l'accesso agli agenti	1	2.100,00	0,00	2.100,00	
15	App4Sell - Modulo Agenti su Tablet Android	1	3.500,00	0,00	3.500,00	
16	Sviluppo Interfaccia con Panthera	1	3.000,00	0,00	3.000,00	

Imponibile	Al. IVA	Importo IVA		
			Subtotale fattura	€ 21.800,00
	22		Tasse	8,75%
			Imposta vendita	1.907,50
17.450,00	Tot.	3.839,00	Altro	100,00
Scadenze			Deposito ricevuto	100,00
			TOTALE	€ 23.707,50

Figure 1 - Software Management Invoice Sample

Social capital and revenue forecasts I.F.E. S.p.A is owned by the three operating partners for a third each. We are not holding any patents, however it will be necessary for us to register our brand through a series of registrations in Italy, in the European Union and internationally. One of the partners holds leadership roles in the food industry for over 10 years and he is specialized in the field of large retailers. He has great knowledge in the field of food legislation, this expertise will speed the process to obtain the permits to start the business.

The service does not require huge amounts of capital, excluding marketing and advertising costs; moreover, it requires no specialized workforce. Specifically, the workforce used in the internal organizational structure will be used mainly to the care of the packaging and preparation of shipments.

The capital provided by the shareholders amounts to € 100,000. Also will be a ten years' mortgage of 50,000 €.

Based on the forecasted budget we built, we expect a financial break-even in the second year of activity, and invoiced in the order of € 150,000 the first year and then exceed the € 300,000 in the second year and get to 500,000 € in the fifth year, in the worst-case scenario.

2.2 Market Analyses

Background: made in Italy food in the world. A good business plan begins by focusing on two questions: Is the total market for the venture's product or service large, rapidly growing, or both? (*Sahlman W. A., 1997. 'How to Write a Great Business Plan'. Harvard Business Review. Page 101. Massachusetts, USA.*).

Over the past decade the food industry exports grew twice as fast as the total Italian exports, reaching in 2014 the threshold of 34 billion euro. However, even if today one company on 2 of the 54 thousand Italian agro-industrial companies produces for foreign markets, Italy is still behind its European competitors. Our country is still lagging behind its main European competitors. If, in fact, in Germany the weight of agri-food export has reached a third of the total (33%), Italy is stuck at 20%, also preceded by France (26%) and Spain (22%).

In the recent years, the expression Made in Italy has been more and more often used as a quality clue to define the most advanced segment of Italian exports, with specific and distinctive attributes such as packaging, technology, labour skills, certification of origin, and so forth. These attributes have often been seen as the key characteristics that allow increasing the value of our exports that by and large are characterized by mature products in markets basically exposed to mere price competition (*Di Maio, M. and Tamagni, F. (2008),The evolution of world export sophistication and the Italian trade anomaly, Rivista di Politica Economica, 1998. (1-2), 135-174.*). The definition of Made in Italy referred to agri-food exports applies mostly to Italian typical and worldwide highly reputed products. These goods identify with the Italian territory and recall the Mediterranean diet including some of the most typical food products of Italy, or at least those who are acknowledged abroad as characterising the Italian agri-food sector (*Antimiani A., Henke R., 2007. «Old and New partners: Similarity and competition in the EU foreign agri-food trade», Food Economics, 3.*). These features can stem both from the nature of the agricultural produce – this is especially the case for fresh vegetables and fruit – and from traditional and peculiar processing techniques. Indeed, while many processed products that are clearly identified as Made in Italy are in practice transformed from imported agricultural products (i.e., Italian pasta produced using imported durum wheat), a non-negligible share of the agri-food made in Italy is instead composed of fresh agricultural products that are internationally identified with Italy and are considered a "cultural expression" of the territories where they are produced and provide an important contribution to our trade balance surplus, such as some fruit (apples from Trentino Alto Adige), nuts (hazelnuts and chestnuts from Lazio), vegetables (cherry tomatoes from Campania, artichokes from Lazio, onions from Calabria). The identification of made in Italy agri-food products is therefore not necessarily referred to the origin of the final product or to the process in itself, but it is rather connected to the territorial links that are at the very base of the production of food, no matter if it is processed or not, or if it is made with imported raw material. In world markets characterised by increasing competition, any specificity of the goods that can segment the market and smooth the pressure of competitors is valuable to exporters. The strategies of Italian exporters vary according to the type of product and to the degree of market completion. In some cases, Italian exports contrast increasing world competition by increasing quality levels (i.e. their sophistication content); in other cases, price competition is chosen, by keeping average unit values at lower levels than those of the competitors. In many cases, these strategies are successful in allowing Italy to defend and sometimes even to increase its world market shares, in spite of a growing world competition (*Carbone A., Henke R., Pozzolo A., 2014. Italian agri-food exports in the international arena. Page 2. University of Molise, Italy.*).

Market size. According to the 2015 report of FEDERALIMENTARI, each year 1.2 billion people buy an Italian food product and 750 million of these are loyal customers. In the period between 2004 and 2014, the food industry has increased the value of its exports of 83.8%. But if the picture of the last decade certifies a positive trend and increased capacity of Italian agri-food industry penetration in key foreign markets, our country is still lagging behind its main European competitors. We believe that this is partially due to the high-risk aversion of the thousands small and medium-sized enterprises. Given their size, those firms do not invest in foreign markets. Our goal is to provide the necessary visibility to Italian products, thanks to our online platform. Initially we intend to penetrate the European market and later expand the business to America and China.

European market analysis of Bakery Industry. The following discussion is based on the AIBI (International Association of Plant Bakers) bread market report about European country market trends in bakery industry.

Starting from ***Belgium*** we notice high price competition in retail and high price pressure on the producers. That means that the margins are becoming smaller. The consumer has strong interest in authentic, natural, convenient and indulgent food. In Belgium the discussion around the nutritional benefits around bread is ongoing. Those health advices from nutritionists to consumers could enhance that Belgians go back to basics, notably for breakfast. This could mean that the consumption of bread could continue to slightly recover.

The problem of overcapacities in the European Baking industry remains, and parts of the production went to retailers' own production (private label). Therefore, the price pressure on bread production is an issue in ***Denmark***. Discounter implement different of in-store bakery solutions that leads to changes in consumer behaviour and their focus on freshness and price. The consumer confidence is on the rise, but the consumer continues to focus on low price.

Finland bakery sector faces the reality of tough competition with tough price pressure. However, the Finnish Bakery industry managed better to transfer the rising energy and raw material costs into more value of the products. There is an intense discussion about health aspects of food/bread with focus on salt (labelling) and the discussion on fibre and whole grains. The public opinion is as well focused on the good or bad of carbohydrates.

The price variations and market volatility of raw materials in ***France*** pose difficulties in production. The relationship with retailers is not easy as there are big delays in price negotiations. As a consequence, the financial situation in companies is very tight and degrading. The consumer behaviours in bread consumption are changing, with more snacking and less bread eating.

In ***Germany*** the increase of production costs, especially energy, remains an important issue. Retailers are gaining market shares.

The main discussions in ***Italy*** are going around healthy products, organic bread and bread with cereals. The trend is going to small products, which have special flavours. Also "German style products with seeds" and wholemeal bread are more requested bread products. The soft industrial bread and crisp bread industrial bread are going well in the market.

There is severe competition in ***Netherlands*** between the baking producers and hard negotiations form the landscape with supermarkets. Health aspects (carbohydrates, wheat) of the bread are discussed in the public domain and there is rising popularity of spelt and sourdough bread.

In ***Spain*** several networks of bakery franchises (Granier, Panaria) have been established successfully, but there are implications from severe discounting in fresh bakery. In Spain there is the development of other retails like petrol stations and convenience stores. Campaigns from the government to promote healthier lifestyles by creating innovative healthy products to reduce cholesterol levels, obesity and diabetes were taken up successfully. More and more bakery companies are eliminating trans-fatty ingredients, and they are using wholegrain and high fibre with no preservatives or colorants and zero sugar in their bakery products. Other innovative products are rye and oat breads and breads with herbs (oregano) and black olives to attract consumers.

The reduced consumption of bread and price deflation has driven the economic situation of bakery companies in 2013/2014 in the ***United Kingdom***. At the moment, there is an increase in the production of alternative bakery products instead of bread.

Customer description. As Business-to-Business Company, our main customers are the grocery stores and shopping malls. It is planned to allocate 10-15% of the sales also to private consumers. Obviously the volume of products sold to ordinary consumers is extremely lower than the sales volume in relation to other business.

Our customers belong entirely to the private sector and they are very segmented. For this reason, we want to invest in advertising our platform, we also want to participate in different trade shows in order to make our platform visible and create a network with possible customers. Furthermore, through advertising via Internet and social networks we want to ensure a high degree of penetration in the different segments of the market.

In our baseline scenario (discussed in the next section) we forecast to reach about 4,000 loyal customers with an average consumption of 500 euro. We estimated that the 25% of loyal customers will be composed by customers from Belgium, Denmark, Finland and Netherlands, the 25% from Germany customers, the 15% from France, the 10% from Spain and the 20 % from United Kingdom. We forecast only 5% of Italian customers for the first year of activity, mainly because the competitiveness considerably increases in Italy, and also because according to many reports from the European Commission, Italy is a country with a very low access to internet among all the European populations.

Competitive analysis. EU agri-food exports to third countries last year reached a record value of €129 billion, an increase of 6% on 2014, according to the European Commission report. It confirms that export values in 10 out of the 12 months exceeded the value in the same month the previous year. Major gains were made in exports to the USA (+18.5%) and China (+39%), which has overtaken Russia as the second export destination for EU products. Cereals (+€1.2 billion), wines (+€835 million), and spirits (+€641 million) were the 3 sectors, which made the largest improvement. At the same time, the Russian ban on the import of certain agricultural product was apparent in the lower value of export of milk powders and cheese (-€963 million taken together) and fresh fruit (-€341 million). With EU agri-food imports also increasing to €113 billion - an 8.7% increase on 2014 - the 2015 trade balance for all EU agri-food products showed an overall surplus of €16 billion, a bit lower than the €18 billion seen in 2014.

The food and drink industry is very highly influenced by agricultural commodity prices on the one hand and consumer prices on the other. Agricultural commodity prices determine to a large extent production costs (i.e. input prices). Consumer prices influence the turnover. If consumer prices do not increase in parallel with agricultural commodity prices, this puts downward pressure on margins in the food and drink industry. An analysis of the evolution of agricultural commodity prices and consumer prices is thus necessary for understanding the underlying forces driving developments in profit margins over time. The economic, social and technological trends provide the context for understanding what factors may be underlying drivers of positive or negative developments in the competitive performance of the EU food and drink industry and various food and drink manufacturing sectors.

Competition in the food retail market has increased in recent years. Traditional food retailers have faced fierce pressure from alternative channels including warehouse clubs, supercentres, drug stores, mass retailers and convenience stores, as well as online retailers and grocery delivery services. As consumers distance themselves from the traditional supermarket model, grocery retailers are attempting to stay competitive by creating more intimate and innovative shopping experiences tailored to individual shoppers with an emphasis on fresh, organic and prepared food options. As some large chains have actively pursued relationships with smaller niche retailers, other grocery chains have failed to adapt.

The overall retail sector represents 4.3% of the Gross Value Added in the EU economy23, over 8% of employment and 3.7 million SMEs. This sector interacts with both an upstream procurement market and a downstream consumer market. In the upstream market, retailers provide producers and suppliers with critical access to millions of final consumers through their distribution channels, as well as a number of different parallel services, such as logistics and product merchandising depending on the sector. In the downstream market, retailers offer customers access to an assortment of products, as well as information on those products through advertising or staff. It is important to take into consideration the two different dimensions of the retail sector, in order to properly situate it in the broader supply chain and fully understand the role it plays in the European economy. Furthermore, retailers are key players in the functioning of the Internal Market, allowing consumers to access goods from many different ways. Thus, the functioning of the food supply chain has important ramifications on consumers (given that approximately 13% of their household expenditure is spent on food), as well as the functioning of a number of other essential economic sectors, such as agriculture, the food processing industry and retailers. Taken as a whole, the food supply chain generates value added of €715 billion per year, almost 6% of the EU GDP (*European Commission, 2014. The economic impact of modern retail on choice and innovation in the EU food sector*).

In Italy, as in other European countries, the food industry has been the object of recent public and political concerns focusing both on volatile prices and relationships between market players at different stages of the industry chain. Obvious social implications make food a peculiar sector, which consistently becomes a central topic in times of crisis. In case of food price increase, the general public and political powers often approach the national competition authorities and ask them to assess the market dynamics and find out the reasons for such increase. In addition to antitrust enforcement, the Italian Competition Authority (ICA) has carried out two market surveys in the last few years to have a clearer understanding of competition issues in this sector. The first survey, published in 2007, dealt with the food distribution chain, specifically in the fruit and vegetable sector; the second, concluded in 2013, examined the large retail sector. Although the studies did not identify specific conducts requiring immediate action, they highlighted several issues, especially of vertical nature, which need to be carefully considered in the competition analysis of the food industry. Notably, the Italian food distribution chain, despite a lower degree of concentration than in other European countries, has experienced a remarkable consolidation process over the last 15 years: the share of total value of food sale pertaining to the large retail distribution (GDO) has reached 72% in 2010. Many retailers have joined non-structural forms of cooperation such as cooperatives, franchising systems and, above all, buying alliances. The 2013 survey on the large retail sector highlighted significant asymmetries and conflicting relationships between producers and large retailers. This might suggest the existence of a certain degree of buyer power that might affect competition.

Currently does not exist a leader company competitive to our business. We face a segmented market with many different competitors. Customers will appreciate our service because they will have a single platform to buy online their favourite Italian products. Competition we face is distinguished mainly in:

1) Companies that operate in foreign countries, which import Italian products and resell them to local customers.
2) Italian companies that export part of their production to European market.

2.3 Products/Service and business process

Our service offers a wide range of food products intended for small and large customers around the world. The peculiarity of the service we offer is the powerful electronic platform. The electronic platform enables to buy Italian food products in a simple and intuitive way.

Food and beverage products. The most critical problem in the field of the distribution of this type of products is the maintenance of the correct transport and storage temperatures of foods until the time of their consumption. Microorganisms in fact grow quickly if the temperature approaches at their optimum temperature of development, which is typically between + 20° C and + 40° C, while at lower or higher temperatures slow their growth, which stops around 0° C. In addition, in our warehouse for storage we necessitate of shelves and pallets for food products, moreover in the warehouse must be present:

- REFRIGERATION: for the storage of food perishable pre-packaged;

- FREEZERS: for the storage of ice cream and / or other products with binding of negative temperature.

For these devices, appropriate procedures must be provided for cleaning, disinfecting and for periodic monitoring of the temperature, which must be registered on specific forms. To ensure the operation of the refrigeration system, it is indispensable to carry out periodic maintenance.

We must do the following routine checks:

- Coolant level;

- The absence of unusual noises;

- Cleaning and restoration of the air filters;

- Cleanliness and good insulating conditions and maintenance of the cells.

As for storage temperatures in stock, Regulation (EC) 852/04 (art.1.c - maintenance of the cold chain), is applied national legislation, so the DPR 327/80 and, in the specific case of temperature conservation, we make reference to Article 31:

- Perishable foods covered or stuffed with cream or custard made with eggs and milk, yogurt of various types, gastronomy products with alimentary gelatine coverage, they must be stored at a temperature not exceeding + 4° C.

- Perishable foods cooked from cold consumed must be stored at a temperature not exceeding + 10° C.

All the items that we offer are kept at optimum storage conditions in our temperature controlled facility. Sensitive items are all wrapped in our biodegradable environmentally friendly paper wrap, and placed carefully in the package. We ship using an insulated cooler with ice packs (e.g. chocolate, prosciutto, cheese, frozen products etc.). We have already purchased by the company DRYCE.IT isothermal kit for the transport of food products in order to test them with our products. The cost for each kit goes from 40 to 55 Euros. We plan to purchase additional 200 kits in the coming months. Dry ice is particularly useful for freezing, and keeping things frozen because of its very cold temperature:

- 78.5° C. Dry ice is widely used because it is simple to freeze and easy to handle using insulated gloves. Dry ice changes directly from a solid to a gas -sublimation- in normal atmospheric conditions without going through a wet liquid stage.

It is relevant for the shipping temperature. A combination of dry ice and gel packs will extend the shipping time by several days if the shipped items can be frozen for a short time or thawed for a short time.

Inventory management. The warehouse management system will be implemented by the flow of purchase orders, which will be recorded within the online platform. The data collection system allows us to make year after year more and more efficient inventory management. Through this mechanism, we expect to achieve savings of time and shipping costs.

The website and the online platform. Customers will find extremely easy to view and select products to purchase. The structure of the e-commerce will be crucial for the success of our business. Since the very beginning the website should be efficient and intuitive to navigate. It will be necessary to upload all the characteristics of the products (i.e. volume, weight, height, etc.) because we want customers to be able to maximize their shopping basket with our products, minimizing the delivery costs. Indeed, the website will suggest to customers the additional product to add in order to lower the delivery costs. Similarly, it will be analysed customer satisfaction. Under the law that regulates electronic commerce, it is necessary to distinguish the sections Business to Business and Business to Consumer.

The creation and development of the online platform will be outsourced, as well as delivery. Also we offer a department dedicated to complaints, in case of wrong shipment or in case of non-acceptance of the goods.

The tables below show the characteristics of products and semi-finished products intended for bakeries. The Table 1 shows three products, directed to others business, with a low profit margin but high interest among our potential customers.

Instead, the second table shows products, offered directly to the consumer, with a high rate of return.

Products	Cost of purchasing	Selling price	Units	Rate of return
Flour	0.485	0.543	1 kg	12%
Hazelnut	1.58	1.659	1 kg	5%
Ice cream	4.89	5.135	1 kg	5%

Table 1 – Low Profit Margin Products

Products	Cost of purchasing	Selling price	Units	Rate of return
Cannolo pastry	8.20	11.89	120 units	45%
Butter spoons	18.60	26.97	270 units	45%
Babà sweet	9.374	13.59	90 units	45%

Table 2 – High Profit Margin Products

Sales Plan

Figure 2 shows the picture of the entire life cycle of the products within the organization.

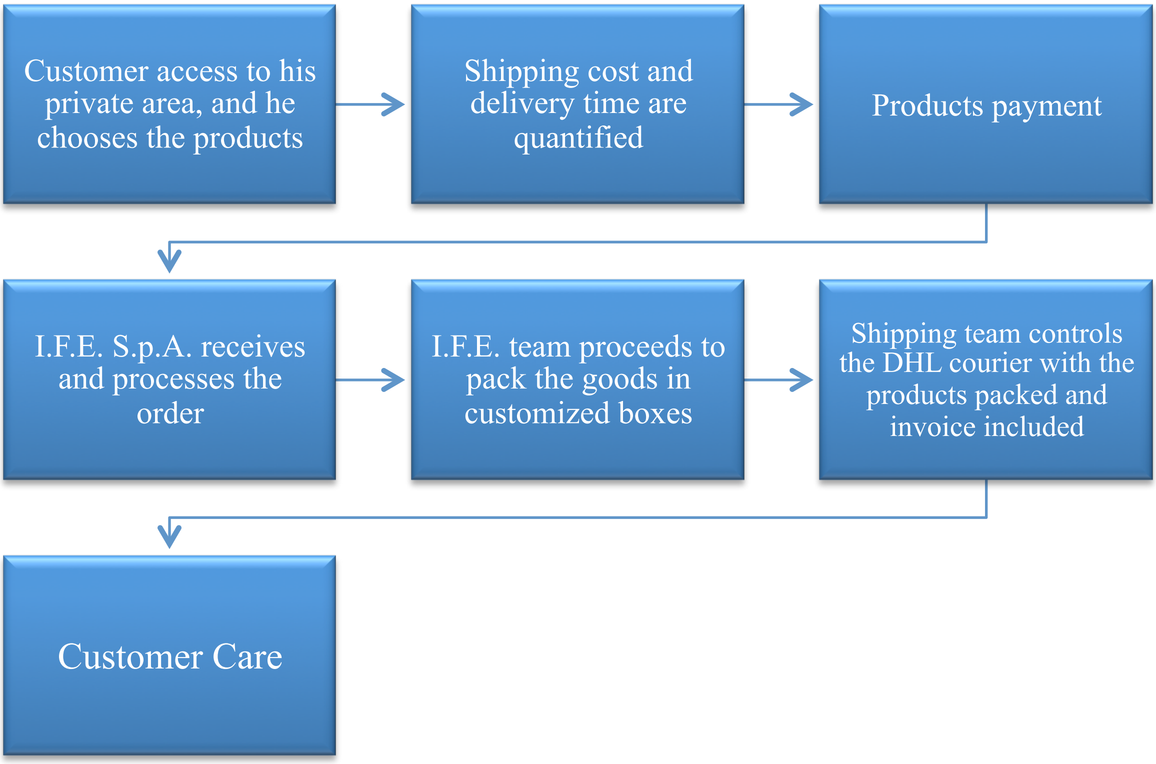


Figure 2 – Products Life-Cycle

2.4.1 Price strategy

The selling price of each product is determined on the basis of prices charged by the direct competition, however at least in the first phases of practice we will charge very competitive prices. We want to contain the costs of the service within a level that would allow practicing the lowest price possible for the customers, considering shipment costs and packaging costs (delivery is outsourced and its cost will be entirely on the price paid by customers). We rely on people specialized in deliveries all over the world as DHL. We believe that rely on a company that is specialized in the delivery sector will allow us to reach all our customers easily. This will represent an added value for us, saving time and resources, affecting positively the final price charged to customers.

2.4.2 Sales strategy

Our sales plan consists to penetrate the European market in the first five years of activity. Germany, France and Britain respectively account for 16.1%, 11.6% and 9.5% of Italian agri-food products' market share.

In these five years we will proceed with a highly aggressive advertising plan. According to data of FEDERALIMENTARI, is expected an average growth rate of 2.7% for the Italian agri-food market in the next three years. Our goal is to attack this growth with our company, and we forecast to reach the 0.01% of the market share.

We do not have direct competitors. The companies that operate in this kind of business usually they are very small and operate in the national territory. The export of Italian products is leaved directly to producers, making the life not so easy for potential customers that are obliged to negotiate with many companies.

Over the first five years of activity we estimate we could reach 10,000 restaurants throughout Europe; 7,000 bakeries; patisseries 5,000; 3,500 shopping malls and 4,500 end-users.

We estimate to reach a volume of sales around 225'000 Euro for the first year of activity in the baseline scenario.

2.4.3 Delivery cost and legislation

It is really hard to predict how much the shipping cost will affect the final price charged to the customer. The cost of transport depends on the nature of the product; for example, some products require maintaining a constant temperature of refrigeration to avoid the deterioration of the product itself. So the products could require or not of dry ice pockets that would increase the weight and volume of the packaging and consequently the shipping costs would rise.

In the cold chain, transportation is an important step and at same time delicate, so much that when commodities are moving on the road frozen products, it is mandatory that the isothermal transport is equipped with a temperature recorder, which records the temperature products during the journey (from the factory to a warehouse or to a final point of sale). The vehicles used for the transport of perishable goods in controlled temperature must respond to rules issued by the Ministry of Health and those established by the Ministry of Transport, as well as to ensure better protection of the products handled to safeguard the health of consumers. The vehicles must respond to the Law No. 283/1962 for the grant of health approval (valid two years) and the Law No. 264/1977 for the characteristics of the vans and temperature control systems. The latter law is more known as A.T.P. (Accord Transport Perishable). The ATP legislation originates from a European agreement signed in 1970 and prescribes the types of perishable foods to be transported in regime controlled temperature and the temperatures at which should be performed refrigerators and refrigerated transport.

2.4 Risk Analysis and risk management

Our closest competitors are the Italian companies that export their products abroad. As mentioned above, in this sector the export is growing. There is always more desire of the quality offered by Italian products. In fact, in large shopping malls it is growing more and more space for our local products.

Our organization allows us to reduce fixed production costs. We offer a service; we do not manufacture any products internally. Our goal is to specialize in creating the most important platform for the meeting of demand and supply of Italian agro-food products. Our specialization allows us to keep prices very close to those of production. This makes us different with respect to our direct competitors who cannot offer the same range of products that we do.

The main aspects of our service to be perceived by customers will be: the ease with which it is possible to buy our products; the ability to make a single purchase for different types of products; and the quality of the products.

An important aspect of our organization is also the use of the electronic platform that will allow us to: reset the times for the receipt of the order; reset disputes for payment of invoices; have the possibility to instantaneously receiving the satisfaction of the service by customers. The ability to save time and the ability to obtain the opinions from our customers will let to devote us to the improvement of the service offered. All this represents a competitive asset in relation to the competition.

The time to develop our plan is: two years to enter the European market and five years to enter the world market. The first year we need to work on cataloguing the products offered and the definition of the electronic platform. Subsequently identify partners with the necessary warehouses.

One possible criticality arises in case of delay in delivery of the goods. The delivery company does not assume any responsibility in case of deterioration of foods. For this reason, some items can only be purchased through priority shipping. However, a risk fund will be established to manage any specific case. In fact, through our customer care service, we will replace the goods deteriorated in case of serious misconduct. This choice will affect our costs. A further risk may come from the need to increase the visibility of our service through major advertising channels represented by radio and television. The need for increased visibility is definitely a risk that could have a strong negative impact on our business plan. In this case we developed a strategy that involves the assistance of an advertising agency.

Our marketing strategy is based primarily on the immediate presence of our sales manager in world fairs on food. We assumed six levels of effectiveness for our advertising strategy. In this section we present the first three simulations about revenues that will be shown in detail in the next chapter.

For the first 3 simulations we assumed to convince to visit our website once 0,5%, then 1%, and finally 2,5% of visitors at the exhibitions. The success of the company depends crucially on the success of marketing strategy. Specifically, we will fund our presence in trade fairs by purchasing areas of exposure. The cost of purchase of exhibition area is around 4,000 Euros plus the cost for travel and accommodation. Around 120,000 users according to data released by CIBUSLAND visit the fairs in the food industry.

As previously written, the simulations are based on the percentage of potential customers reached through the publicity of our business. In worst-case scenario we assumed on ten fairs 0,5% of visitors are willing to visit our website. Further we assume that among these users, 5% of them will become a loyal customer who will spend on average 500 euro per year. For the first 5 years of activity we expect to finance our presence in 10 exhibitions per year, with a total of 50 fairs. We keep constant the total number of visitors at the exhibitions over 5 years, even if the trend of visitors to food industry fairs is increasing. So, in Table 3 we simulated our total sales for the first year of activity. We computed the total number of visitors (60,000), as the product of the total number of people reachable directly and indirectly per fairs (60,000), times the number of exhibitions financed per year (10).

	1st Simulation	2nd Simulation	3rd Simulation
Total number of visitors	600,000	600,000	600,000
Percentage of people who visit our site.	0,5%	1%	1,5%
Percentage of people who shop on our website	5%	5%	5%
Total euro spent per year from each customer per year	€ 500	€ 500	€ 500
Total Sales	€ 150,000	€ 300,000	€ 450,000

Table 3 – Marketing Strategy Simulations

According to the forecast that we will present in the next chapter there is a high probability of viability of the project reaching breakeven point by the second year of business operation.

2.5 Management team and business organization

The company's organizational structure will be divided into five different departments:

Administration Management: supply manager and distribution manager;

Finance management: it includes accounting, income and expense cycles and treasury;

Marketing/Advertising/Communication: organized with officer sales experts;

Executive: staff dedicated to packaging and shipment quality control;

IT: designated to control the optimum performance of the website;

Customer Service: composed by telephone operators in charge of the resolution of drawbacks;

External Market Consulters: we need figures that are expert foreign markets and their current regulations.

Below, through Figure 1, we present the detailed organization chart for our business.

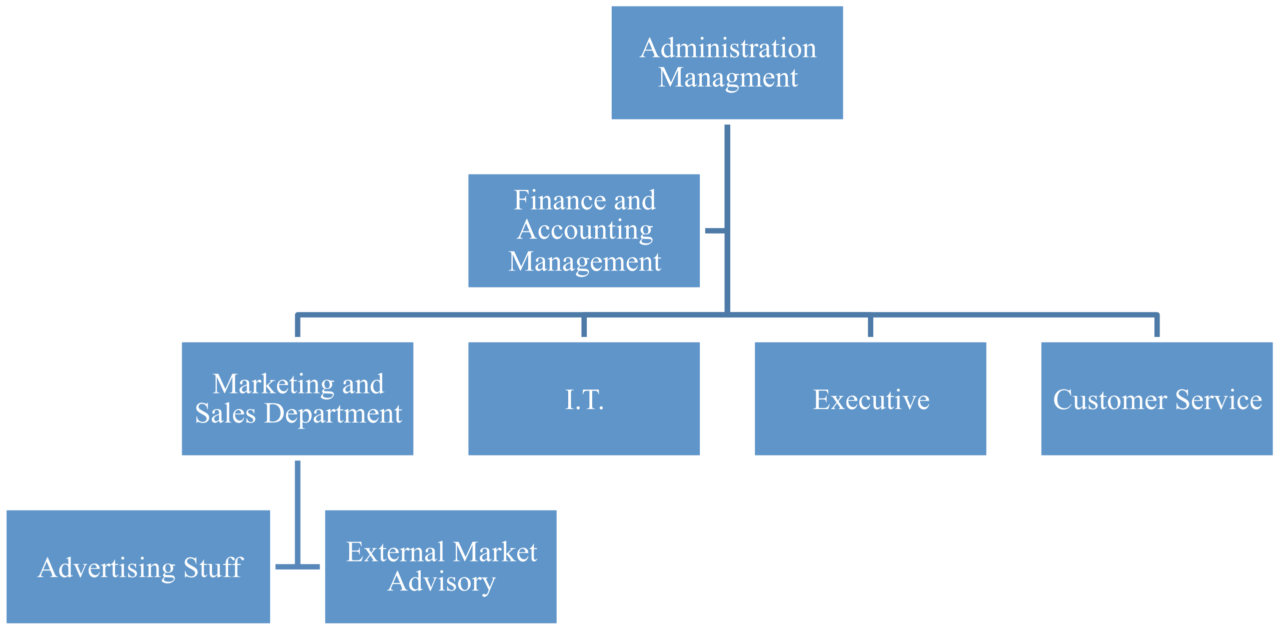


Figure 3 – Organization Structure

2.6 Financial forecast and analysis

The last but one of the most important parts of the business plan. Financial analysis of a company is very difficult and time consuming but it gives a real overview of a financial situation of the company. Readers create an idea about issues like: how a company gains and want to gain money. A financial planning includes financial reports, financial analysis, and a statement of cash flows.

In this section we present the forecasted financial need of the company in different scenarios. In addition, we will show for the first 5 years of activity the income statement, the strategic balance sheet and the cash flow statement for the most likely realizable scenarios. We will perform a thorough analysis of sales volume for the baseline scenario, distinguishing by product category. We will also present the financial requirements and relative covenants required.

As mentioned earlier, we would have different scenarios depending on the effectiveness of the marketing program.

The table in the next section will be composed by:

- Variable x: percentage of visitors clicking on the website

- Variable y: percentage of people spending on the website.

We estimated as monthly average amount spent per costumer 500 Euro, based on the statistics provided by our business partner operating into the food field since 1995.

2.7.1. Full Matrix

In this section we show the so-called Full Matrix, which represents the values of sales we estimated in each scenario. We elaborated nine different scenarios to give a full picture of the possible environments where the company will operate. We chose to develop nine scenarios to give the best possible prediction of future sales, although it is very hard to predict the future. However, we believe that nine scenarios are sufficient to develop remedial strategies in case the performance is not so desirable.

		Variable x: Percentage of people who shop on our website		
Variable y: Percentage of people who visit our website		Bad 4%	Base 5%	Good 6%
	Good 2%	240.000 € I	300.000 € II	360.000 € III
	Base 1.5%	180.000 € IV	225.000 € V	270.000 € VI
	Bad 1%	120.000 € VII	150.000 € VIII	180.000 € IX

Table 4 - Full Matrix

The full matrix is a 3x3 matrix, where each raw represents a different percentage of people who only visit on our website (1%, 1.5%, and 2%), and each row represents a state of the world in which the company is able to trade with different values of loyal customers. As mentioned in the previous section, a loyal customer consumes yearly on average € 500. This assumption will let us to develop various volumes of sales. In the Full Matrix we highlighted the most likely scenarios. In green (Scenario V), there is the so-called Baseline Scenario, the one we believe most reasonable among all. In yellow (Scenario II, IV, VI, and VIII), are reported the scenarios most representative of the other possible evolutions of the economic environment.

In the next sections we will deeply analyse the baseline scenario, and also the ones in yellow. However, in the next sections we also present a detailed analysis of the financial and profitability ratios for every single scenario reported in the Full Matrix above.

2.7.2 Baseline Scenario

Sales forecast by product

Our sales forecast is based on the effectiveness of our marketing strategy and on the average consume per year by customers. We expect to reach 30,000 potential customers in the first 5 years of practice. Moreover, we forecast to make loyal customers about 4,000 of these 30,000 potential customers. The 85% we expect will be represented by companies and the remaining 15% by private consumers. According to our estimates, the bakery products will cover 17% of sales, 27% will covered by the ice cream industry, 32% will be covered by the pastry, 18% by pizza shops, and the remaining 6% of sales will be covered by soft drinks. The picture below illustrates the overall distribution.

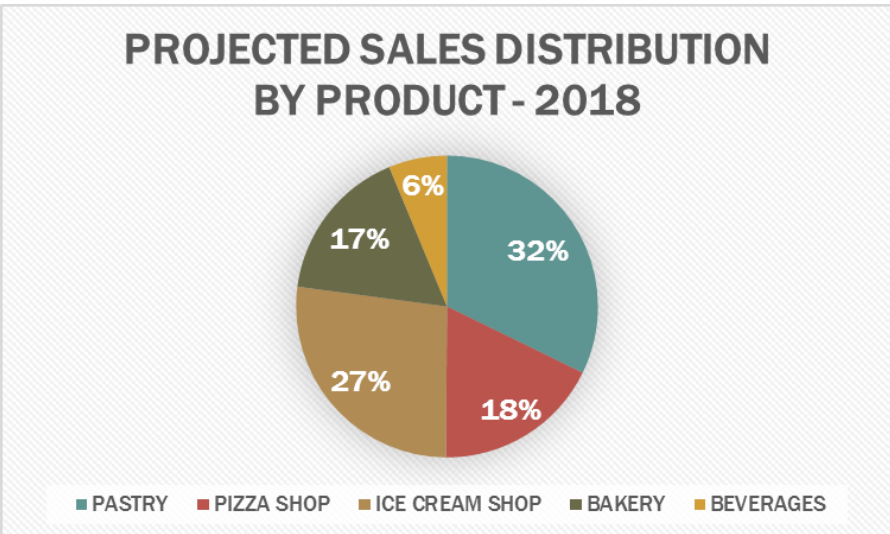
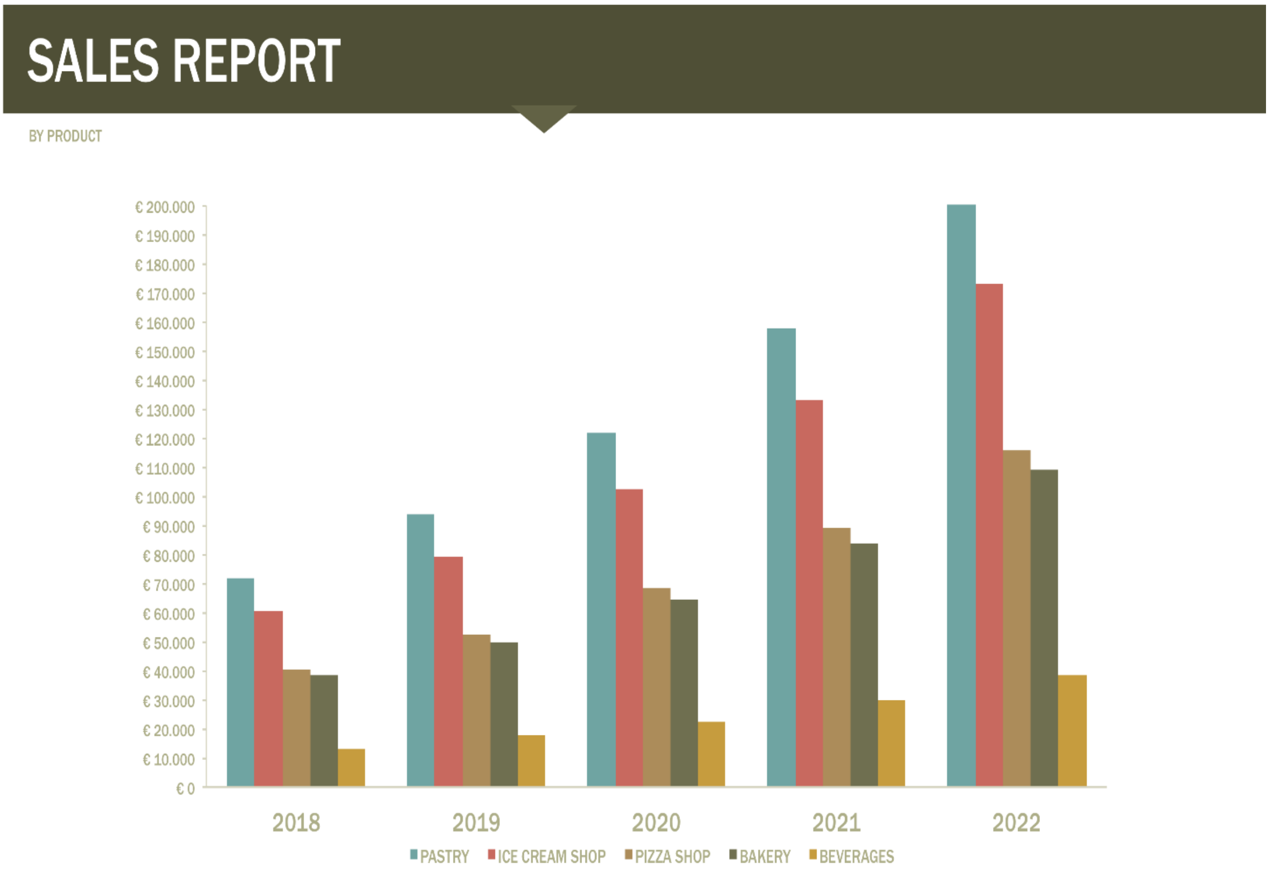


Figure 4 – Sales Distribution



PRODOTTO	2018	2019	2020	2021	2022	TOTAL
Pastry	72.000	93.600	121.680	158.184	205.639	445.464
Ice Cream shop	60.750	78.975	102.668	133.468	173.508	375.860
Pizza shop	40.500	52.650	68.445	88.979	115.672	250.574
Bakery	38.250	49.725	64.643	84.035	109.246	236.653
Beverages	13.500	17.550	22.815	29.660	38.557	83.525

Table 5 – Sector Sales Growth Baseline Scenario

Projected sales growth

The sales growth forecast is based on the assumption that the average sales volume will increase by 30% per year, as result of the marketing strategy over the 5 years of activity. The growth rate estimation is founded on the forecasted Italian food-industry growth computed by the annual report of FEDERALIMENTARI.

We expect to be able to reach 80% of our target market (0.01% market share) by the end of year 5.

The picture above reports the sales trend by sector over the first 5 years of activity.

The forecast is based on the assumptions that 1.5% of people who visit the fairs will click on our website, and the 5% of them will spend € 500.

Income statement

INCOME STATEMENT (€)	2018		2019		2020		2021		2022	
Revenues										
Sales Revenue	225.000		292.500		380.250		494.325		642.623	
Total Revenues	**225.000**		**292.500**		**380.250**		**494.325**		**642.623**	
Costs		*% on revenues*		%		%		%		%
Cost of Good Sold	(166.667)	74,1%	(216.667)	74,1%	(281.667)	74,1%	(366.167)	74,1%	(476.017)	74,1%
Rents	(6.000)	2,7%	(6.000)	2,1%	(6.000)	1,6%	(6.000)	1,2%	(6.000)	0,9%
Personnel	(15.000)	6,7%	(19.500)	6,7%	(26.325)	6,9%	(36.065)	7,3%	(47.245)	7,4%
Web Advertising	(3.000)	1,3%	(3.000)	1,0%	(3.000)	0,8%	(3.000)	0,6%	(3.000)	0,5%
Software	(4.500)	2,0%	(4.500)	1,5%	(4.500)	1,2%	(4.500)	0,9%	(4.500)	0,7%
Travels	(10.000)	4,4%	(10.000)	3,4%	(10.000)	2,6%	(10.000)	2,0%	(10.000)	1,6%
Insurance	(3.333)	1,5%	(4.333)	1,5%	(5.633)	1,5%	(7.323)	1,5%	(9.520)	1,5%
Services	(2.000)	0,9%	(2.000)	0,7%	(2.200)	0,6%	(2.420)	0,5%	(2.662)	0,4%
Debt repayment	(5.000)	2,2%	(5.000)	1,7%	(5.000)	1,3%	(5.000)	1,0%	(5.000)	0,8%
Total Operating Costs	**(215.500)**	95,8%	**(271.000)**	92,6%	**(344.325)**	90,6%	**(440.475)**	89,1%	**(563.944)**	87,8%
Ebitda	**9.500**	4,2%	**21.500**	7,4%	**35.925**	9,4%	**53.850**	10,9%	**78.678**	12,2%
D&A	(1.000)	0,4%	(1.000)	0,3%	(1.000)	0,3%	(1.000)	0,2%	(1.000)	0,2%
Ebit	**8.500**	3,8%	**20.500**	7,0%	**34.925**	9,2%	**52.850**	10,7%	**77.678**	12,1%
Interest Expense	(3.500)	1,6%	(3.150)	1,1%	(2.800)	0,7%	(2.450)	0,5%	(2.100)	0,3%
Ebt	**5.000**	2,2%	**17.350**	5,9%	**32.125**	8,4%	**50.400**	10,2%	**75.578**	11,8%
Taxes	(1.750)	0,8%	(6.073)	2,1%	(11.244)	3,0%	(17.640)	3,6%	(26.452)	4,1%
Net Income	**3.250**	1,4%	**11.278**	3,9%	**20.881**	5,5%	**32.760**	6,6%	**49.126**	7,6%

Strategic Balance Sheet

BALANCE SHEET (€)	2018		2019		2020		2021		2022	
Total Uses										
Fixed Assets		% on NOA		%		%		%		%
Tangible & Intangible fixed assets	75.000	50,6%	74.000	47,9%	73.000	42,8%	72.000	36,3%	71.000	29,3%
Long term investments	-	0,0%	-	0,0%	-	0,0%	-	0,0%	-	0,0%
Total fixed assets	**75.000**	50,6%	**74.000**	47,9%	**73.000**	42,8%	**72.000**	36,3%	**71.000**	29,3%
Net Working Capital										
Account Payables	(37.500)	25,3%	(48.750)	31,5%	(63.375)	37,2%	(82.388)	41,6%	(107.104)	44,2%
Net Working capital	**(37.500)**	25,3%	**(48.750)**	31,5%	**(63.375)**	37,2%	**(82.388)**	41,6%	**(107.104)**	44,2%
Total Uses of Funds	**37.500**	25,3%	**25.250**	16,3%	**9.625**	5,6%	**(10.388)**	5,2%	**(36.104)**	14,9%
Total Equity										
Share capital	100.000	67,5%	100.000	64,7%	100.000	58,7%	100.000	50,5%	100.000	41,3%
Legal reserve	-	0,0%	564	0,4%	1.608	0,9%	3.246	1,6%	5.702	2,4%
Retained Earnings	-	0,0%	2.686	1,7%	12.920	7,6%	32.163	16,2%	62.466	25,8%
Net Income	3.250	2,2%	11.278	7,3%	20.881	12,3%	32.760	16,5%	49.126	20,3%
Shareholders Equity	**103.250**	69,6%	**114.528**	74,1%	**135.409**	79,5%	**168.169**	84,9%	**217.294**	89,7%
Net Financial Debt										
LT Borrowings (Bond)	45.000	30,4%	40.000	25,9%	35.000	20,5%	30.000	15,1%	25.000	10,3%
ST Borrowings	-	0,0%	-	0,0%	-	0,0%	-	0,0%	-	0,0%
Cash	110.750	74,7%	129.278	83,7%	160.784	94,4%	208.556	105,2%	278.398	114,9%
Net Financial Debt	**(65.750)**	44,4%	**(89.278)**	57,8%	**(125.784)**	73,8%	**(178.556)**	90,1%	**(253.398)**	104,6%
Total Sources of Funds	**37.500**	25,3%	**25.250**	16,3%	**9.625**	5,6%	**(10.387)**	5,2%	**(36.104)**	14,9%

Cash Flow Statement

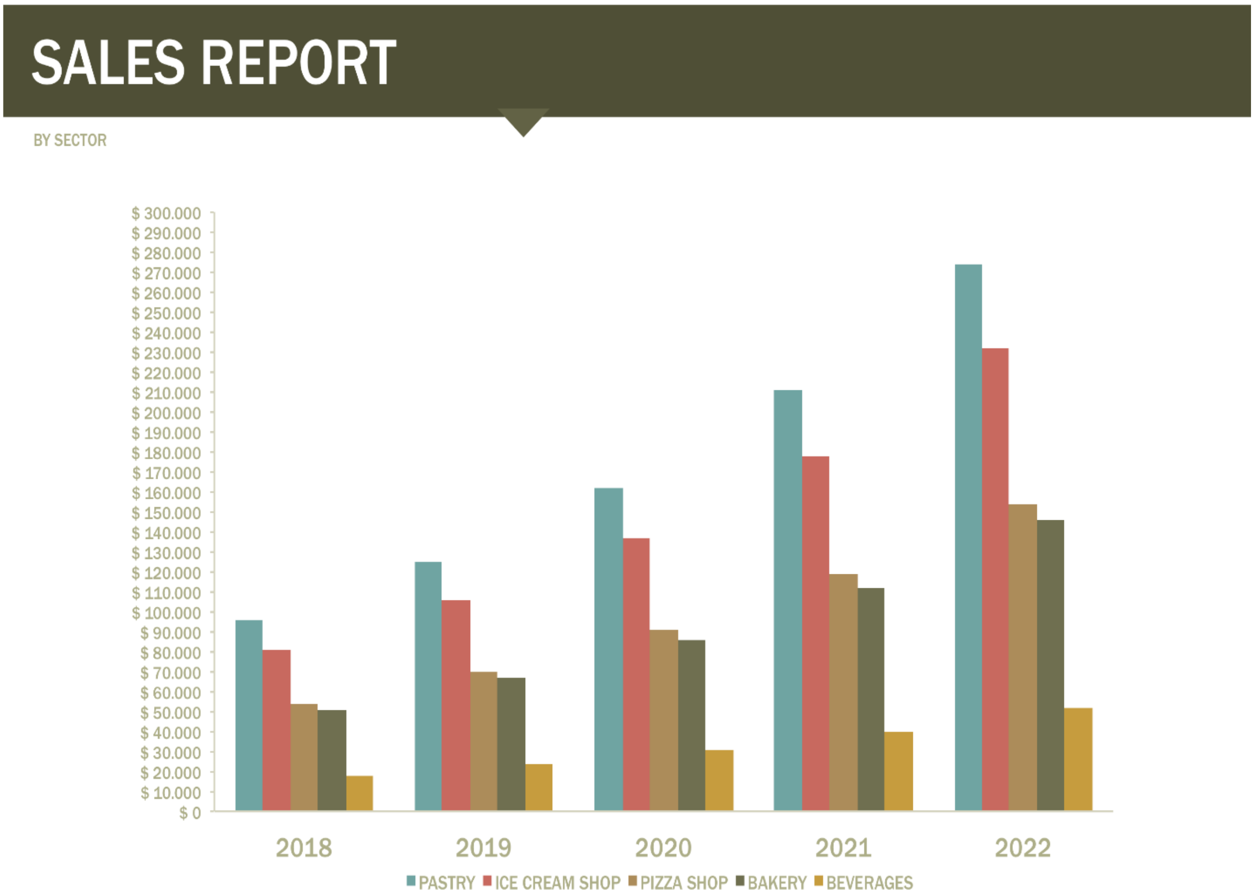
CASH FLOW (€)	2018	2019	2020	2021	2022
Cash, beginning of year	**-**	**110.750**	**129.278**	**160.784**	**208.556**
Net Income	3.250	11.278	20.881	32.760	49.126
Amortizations	1.000	1.000	1.000	1.000	1.000
Change in:					
Account Payables	*37.500*	*11.250*	*14.625*	*19.013*	*24.716*
Total change in NWC	**37.500**	**11.250**	**14.625**	**19.013**	**24.716**
Cash flows from (used in) operating activities	**41.750**	**23.528**	**36.506**	**52.772**	**74.842**
Tangible & Intangible fixed assets	(76.000)	-	-	-	-
Cash flows from (used in) investing activities	**(76.000)**	**-**	**-**	**-**	**-**
Free cash flow	**(34.250)**	**23.528**	**36.506**	**52.772**	**74.842**
Capital Increase / (Dividend payment)	100.000	-	-	-	-
Change in financial debt	45.000	(5.000)	(5.000)	(5.000)	(5.000)
Cash flows from (used in) financing activities	**145.000**	**(5.000)**	**(5.000)**	**(5.000)**	**(5.000)**
Cash flow	**110.750**	**18.528**	**31.506**	**47.772**	**69.842**
Cash, end of year	**110.750**	**129.278**	**160.784**	**208.556**	**278.398**

Ratios

RATIOS	2018	2019	2020	2021	2022
ROE	3,25%	10,92%	18,23%	24,19%	29,21%
ROA	1,75%	5,55%	8,93%	11,68%	14,06%
EBIT / SALES	3,78%	7,01%	9,18%	10,69%	12,09%
DAYS SALES OUTSTANDING	0,00	0,00	0,00	0,00	0,00
DAYS PAYABLE OUTSTANDING	62,65	64,76	66,26	67,34	68,37
NFO / EQUITY	-63,68%	-77,95%	-92,89%	-106,18%	-116,62%
COVENANT 1: EBITA / NFO	-0,14	-0,24	-0,29	-0,30	-0,31
COVENANT 2: NI / EBITDA	34,21%	52,45%	58,12%	60,84%	62,44%

2.7.3 Scenario II

The second scenario, is based on the assumptions that 2% of people who visit the fairs will click on our website, and the 5% of them will spend € 500. As we can see, this represents a better scenario, with higher sales and better growth rate. The picture below reports the sales trend by sector over the first 5 years of activity. Moreover, we will also present the income statement, the strategic balance sheet and the cash flow statement with the relative financial ratios for this scenario.



PRODOTTO	2018	2019	2020	2021	2022	TOTAL
Pastry	96.000	124.800	162.240	210.912	274.186	593.952
Ice Cream shop	81.000	105.300	136.890	177.957	231.344	501.147
Pizza shop	54.000	70.200	91.260	118.638	154.229	334.098
Bakery	51.000	66.300	86.190	112.047	145.661	315.537
Beverages	18.000	23.400	30.420	39.546	51.410	111.366

Table 6 – Sector Sales Growth II Scenario

Income statement: Scenario II

INCOME STATEMENT (€)	2018		2019		2020		2021		2022	
Revenues										
Sales Revenue	300.000		390.000		507.000		659.100		856.830	
Total Revenues	**300.000**		**390.000**		**507.000**		**659.100**		**856.830**	
Costs		*% on revenues*		*%*		*%*		*%*		*%*
Cost of Good Sold	(222.222)	74,1%	(288.889)	74,1%	(375.556)	74,1%	(488.222)	74,1%	(634.689)	74,1%
Rents	(6.000)	2,0%	(6.000)	1,5%	(6.000)	1,2%	(6.000)	0,9%	(6.000)	0,7%
Personnel	(15.000)	5,0%	(19.500)	5,0%	(26.325)	5,2%	(36.065)	5,5%	(47.245)	5,5%
Web Advertising	(3.000)	1,0%	(3.000)	0,8%	(3.000)	0,6%	(3.000)	0,5%	(3.000)	0,4%
Software	(4.500)	1,5%	(4.500)	1,2%	(4.500)	0,9%	(4.500)	0,7%	(4.500)	0,5%
Travels	(10.000)	3,3%	(10.000)	2,6%	(10.000)	2,0%	(10.000)	1,5%	(10.000)	1,2%
Insurance	(4.444)	1,5%	(5.778)	1,5%	(7.511)	1,5%	(9.764)	1,5%	(12.694)	1,5%
Services	(2.000)	0,7%	(2.000)	0,5%	(2.200)	0,4%	(2.420)	0,4%	(2.662)	0,3%
Debt repayment	(5.000)	1,7%	(5.000)	1,3%	(5.000)	1,0%	(5.000)	0,8%	(5.000)	0,6%
Total Operating Costs	**(272.167)**	90,7%	**(344.667)**	88,4%	**(440.092)**	86,8%	**(564.972)**	85,7%	**(725.790)**	84,7%
Ebitda	**27.833**	9,3%	**45.333**	11,6%	**66.908**	13,2%	**94.128**	14,3%	**131.040**	15,3%
D&A	(1.000)	0,3%	(1.000)	0,3%	(1.000)	0,2%	(1.000)	0,2%	(1.000)	0,1%
Ebit	**26.833**	8,9%	**44.333**	11,4%	**65.908**	13,0%	**93.128**	14,1%	**130.040**	15,2%
Interest Expense	(3.500)	1,2%	(3.150)	0,8%	(2.800)	0,6%	(2.450)	0,4%	(2.100)	0,2%
Ebt	**23.333**	7,8%	**41.183**	10,6%	**63.108**	12,4%	**90.678**	13,8%	**127.940**	14,9%
Taxes	(8.167)	2,7%	(14.414)	3,7%	(22.088)	4,4%	(31.737)	4,8%	(44.779)	5,2%
Net Income	**15.167**	5,1%	**26.769**	6,9%	**41.020**	8,1%	**58.941**	8,9%	**83.161**	9,7%

Strategic Balance Sheet: Scenario II

BALANCE SHEET (€)	2018		2019		2020		2021		2022	
Total Uses										
Fixed Assets		*% on NOA*		%		%		%		%
Tangible & Intangible fixed assets	75.000	46,8%	74.000	40,7%	73.000	33,5%	72.000	26,5%	71.000	20,3%
Long term investments	-	0,0%	-	0,0%	-	0,0%	-	0,0%	-	0,0%
Total fixed assets	**75.000**	46,8%	**74.000**	40,7%	**73.000**	33,5%	**72.000**	26,5%	**71.000**	20,3%
Net Working Capital										
Account Payables	(50.000)	31,2%	(65.000)	35,7%	(84.500)	38,8%	(109.850)	40,4%	(142.805)	40,8%
Net Working capital	**(50.000)**	31,2%	**(65.000)**	35,7%	**(84.500)**	38,8%	**(109.850)**	40,4%	**(142.805)**	40,8%
Total Uses of Funds	**25.000**	15,6%	**9.000**	4,9%	**(11.500)**	-5,3%	**(37.850)**	13,9%	**(71.805)**	20,5%
Total Equity										
Share capital	100.000	62,4%	100.000	55,0%	100.000	45,9%	100.000	36,8%	100.000	28,6%
Legal reserve	-	0,0%	1.338	0,7%	3.389	1,6%	6.337	2,3%	10.495	3,0%
Retained Earnings	-	0,0%	13.828	7,6%	38.546	17,7%	76.620	28,2%	131.402	37,5%
Net Income	15.167	9,5%	26.769	14,7%	41.020	18,8%	58.941	21,7%	83.161	23,8%
Shareholders Equity	**115.167**	71,9%	**141.936**	78,0%	**182.956**	83,9%	**241.897**	89,0%	**325.058**	92,9%
Net Financial Debt										
LT Borrowings (Bond)	45.000	28,1%	40.000	22,0%	35.000	16,1%	30.000	11,0%	25.000	7,1%
ST Borrowings	-	0,0%	-	0,0%	-	0,0%	-	0,0%	-	0,0%
Cash	135.167	84,4%	172.936	95,1%	229.456	105,3%	309.747	113,9%	421.863	120,5%
Net Financial Debt	**(90.167)**	56,3%	**(132.936)**	73,1%	**(194.456)**	89,2%	**(279.747)**	102,9%	**(396.863)**	113,4%
Total Sources of Funds	**25.000**	15,6%	**9.000**	4,9%	**(11.500)**	-5,3%	**(37.850)**	13,9%	**(71.805)**	20,5%

Cash Flow Statement: Scenario II

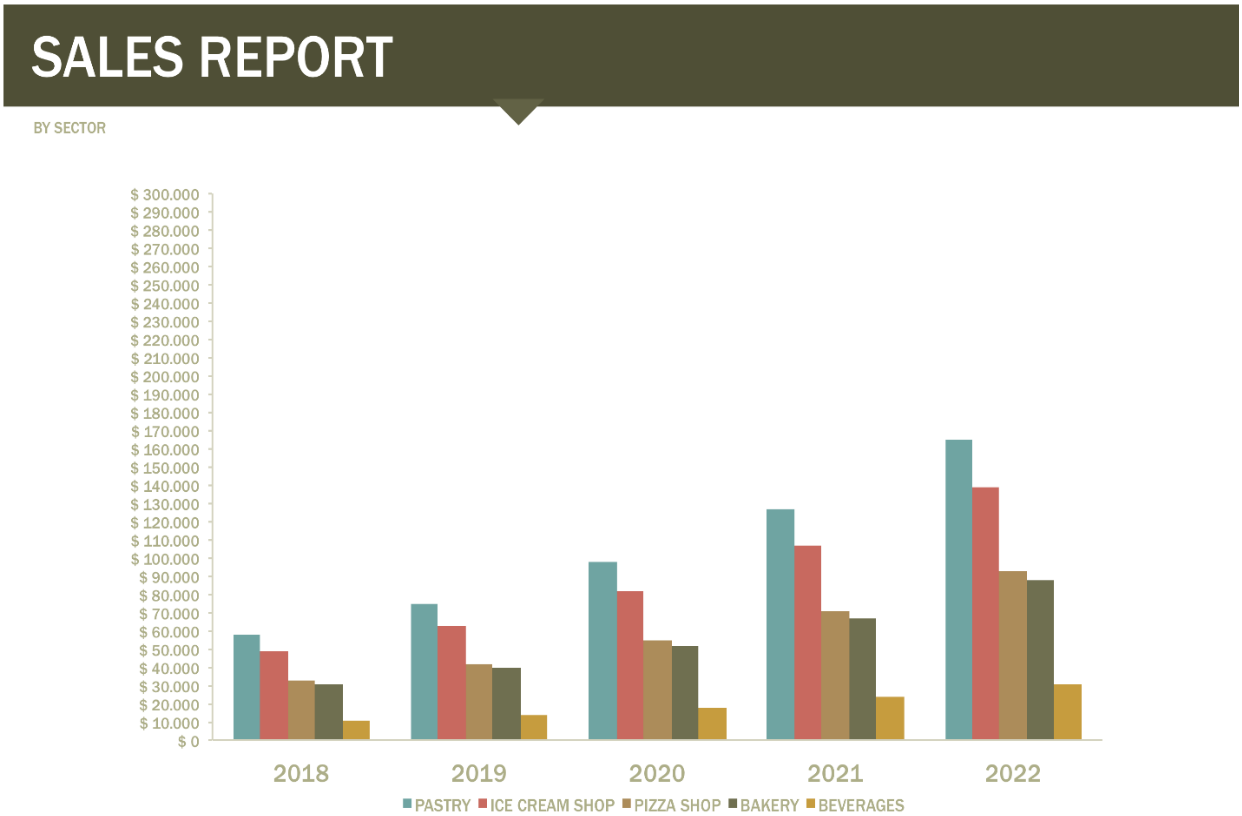
CASH FLOW (€)	2018	2019	2020	2021	2022
Cash, beginning of year	**-**	**135.167**	**172.936**	**229.456**	**309.747**
Net Income	15.167	26.769	41.020	58.941	83.161
Amortizations	1.000	1.000	1.000	1.000	1.000
Change in:					
Account Payables	*50.000*	*15.000*	*19.500*	*25.350*	*32.955*
Total change in NWC	**50.000**	**15.000**	**19.500**	**25.350**	**32.955**
Cash flows from (used in) operating activities	**66.167**	**42.769**	**61.520**	**85.291**	**117.116**
Tangible & Intangible fixed assets	(76.000)	-	-	-	-
Cash flows from (used in) investing activities	**(76.000)**	**-**	**-**	**-**	**-**
Free cash flow	**(9.833)**	**42.769**	**61.520**	**85.291**	**117.116**
Capital Increase / (Dividend payment)	100.000	-	-	-	-
Change in financial debt	45.000	(5.000)	(5.000)	(5.000)	(5.000)
Cash flows from (used in) financing activities	**145.000**	**(5.000)**	**(5.000)**	**(5.000)**	**(5.000)**
Cash flow	**135.167**	**37.769**	**56.520**	**80.291**	**112.116**
Cash, end of year	**135.167**	**172.936**	**229.456**	**309.747**	**421.863**

Ratios: Scenario II

RATIOS	2018	2019	2020	2021	2022
ROE	15,17%	23,24%	28,90%	32,22%	34,38%
ROA	7,22%	10,84%	13,56%	15,44%	16,87%
EBIT / SALES	8,94%	11,37%	13,00%	14,13%	15,18%
DAYS SALES OUTSTANDING	0,00	0,00	0,00	0,00	0,00
DAYS PAYABLE OUTSTANDING	66,14	67,89	69,12	70,00	70,83
NFO / EQUITY	-78%	-94%	-106%	-116%	-122%
COVENANT 1: EBITA / NFO	-0,31	-0,34	-0,34	-0,34	-0,33
COVENANT 2: NI / EBITDA	54,49%	59,05%	61,31%	62,62%	63,46%

2.7.4 Scenario IV

The fourth scenario, is based on the assumptions that 1.5% of people who visit the fairs will click on our website, and the 4% of them will spend € 500. As we can see, we have fewer sales relative to the baseline. The company will suffer a loss the first year of activity, but it will be managed in the subsequent years, it reaching a net income of € 28.705 the fifth year. However, the company forecast an enhancement of the staff, anyway, because we forecast an increase in sales volume in the following years. The picture below reports the sales trend by sector over the first 5 years of activity, and as we can see the sales volume are lower relatively to the baseline scenario. Then we present the income statement, strategic balance sheet and cash flow statement with the relative financial ratios.



PRODOTTO	2018	2019	2020	2021	2022	TOTAL
Pastry	57.600	74.880	97.344	126.547	164.511	356.371
Ice Cream shop	48.600	63.180	82.134	106.774	138.806	300.688
Pizza shop	32.400	42.120	54.756	71.183	92.538	200.459
Bakery	30.600	39.780	51.714	67.228	87.397	189.322
Beverages	10.800	14.040	18.252	23.728	30.846	66.820

Table 7 – Sector Sales Growth IV Scenario

Income statement: Scenario IV

INCOME STATEMEN (€)	2018		2019		2020		2021		2022	
Revenues										
Sales Revenue	180.000		234.000		304.200		395.460		514.098	
Total Revenues	**180.000**		**234.000**		**304.200**		**395.460**		**514.098**	
Costs		*% on revenues*		*%*		*%*		*%*		*%*
Cost of Good Sold	(133.333)	74,1%	(173.333)	74,1%	(225.333)	74,1%	(292.933)	74,1%	(380.813)	74,1%
Rents	(6.000)	3,3%	(6.000)	2,6%	(6.000)	2,0%	(6.000)	1,5%	(6.000)	1,2%
Personnel	(15.000)	8,3%	(19.500)	8,3%	(26.325)	8,7%	(36.065)	9,1%	(47.245)	9,2%
Web Advertising	(3.000)	1,7%	(3.000)	1,3%	(3.000)	1,0%	(3.000)	0,8%	(3.000)	0,6%
Software	(4.500)	2,5%	(4.500)	1,9%	(4.500)	1,5%	(4.500)	1,1%	(4.500)	0,9%
Travels	(10.000)	5,6%	(10.000)	4,3%	(10.000)	3,3%	(10.000)	2,5%	(10.000)	1,9%
Insurance	(2.667)	1,5%	(3.467)	1,5%	(4.507)	1,5%	(5.859)	1,5%	(7.616)	1,5%
Services	(2.000)	1,1%	(2.000)	0,9%	(2.200)	0,7%	(2.420)	0,6%	(2.662)	0,5%
Debt repayment	(5.000)	2,8%	(5.000)	2,1%	(5.000)	1,6%	(5.000)	1,3%	(5.000)	1,0%
Total Operating Costs	**(181.500)**	100,8%	**(226.800)**	96,9%	**(286.865)**	94,3%	**(365.777)**	92,5%	**(466.837)**	90,8%
Ebitda	**(1.500)**	0,8%	**7.200**	3,1%	**17.335**	5,7%	**29.683**	7,5%	**47.261**	9,2%
D&A	(1.000)	0,6%	(1.000)	0,4%	(1.000)	0,3%	(1.000)	0,3%	(1.000)	0,2%
Ebit	**(2.500)**	1,4%	**6.200**	2,6%	**16.335**	5,4%	**28.683**	7,3%	**46.261**	9,0%
Interest Expense	(3.500)	1,9%	(3.150)	1,3%	(2.800)	0,9%	(2.450)	0,6%	(2.100)	0,4%
Ebt	**(6.000)**	3,3%	**3.050**	1,3%	**13.535**	4,4%	**26.233**	6,6%	**44.161**	8,6%
Taxes		0,0%	(1.068)	0,5%	(4.737)	1,6%	(9.181)	2,3%	(15.456)	3,0%
Net Income	**(6.000)**	3,3%	**1.983**	0,8%	**8.798**	2,9%	**17.051**	4,3%	**28.705**	5,6%

Strategic Balance Sheet: Scenario IV

BALANCE SHEET (€)	2018		2019		2020		2021		2022	
Total Uses										
Fixed Assets		*% on NOA*		*%*		*%*		*%*		*%*
Tangible & Intangible fixed assets	75.000	54,0%	74.000	54,4%	73.000	52,2%	72.000	47,4%	71.000	40,4%
Long term investments	-	0,0%	-	0,0%	-	0,0%	-	0,0%	-	0,0%
Total fixed assets	**75.000**	54,0%	**74.000**	54,4%	**73.000**	52,2%	**72.000**	47,4%	**71.000**	40,4%
Net Working Capital										
Account Payables	(30.000)	21,6%	(39.000)	28,7%	(50.700)	36,3%	(65.910)	43,4%	(85.683)	48,8%
Net Working capital	**(30.000)**	21,6%	**(39.000)**	28,7%	**(50.700)**	36,3%	**(65.910)**	43,4%	**(85.683)**	48,8%
Total Uses of Funds	**45.000**	32,4%	**35.000**	25,7%	**22.300**	16,0%	**6.090**	4,0%	**(14.683)**	8,4%
Total Equity										
Share capital	100.000	71,9%	100.000	73,5%	100.000	71,5%	100.000	65,9%	100.000	57,0%
Legal reserve	-	0,0%	-	0,0%	440	0,3%	1.292	0,9%	2.728	1,6%
Retained Earnings	-	0,0%	(6.000)	4,4%	(4.457)	3,2%	3.488	2,3%	19.104	10,9%
Net Income	(6.000)	4,3%	1.983	1,5%	8.798	6,3%	17.051	11,2%	28.705	16,4%
Shareholders Equity	**94.000**	67,6%	**95.983**	70,6%	**104.780**	75,0%	**121.832**	80,2%	**150.536**	85,8%
Net Financial Debt										
LT Borrowings (Bond)	45.000	32,4%	40.000	29,4%	35.000	25,0%	30.000	19,8%	25.000	14,2%
ST Borrowings	-	0,0%	-	0,0%	-	0,0%	-	0,0%	-	0,0%
Cash	94.000	67,6%	100.983	74,3%	117.480	84,0%	145.742	96,0%	190.219	108,4%
Net Financial Debt	**(49.000)**	35,3%	**(60.983)**	44,8%	**(82.480)**	59,0%	**(115.742)**	76,2%	**(165.219)**	94,1%
Total Sources of Funds	**45.000**	32,4%	**35.000**	25,7%	**22.300**	16,0%	**6.090**	4,0%	**(14.683)**	8,4%

Cash Flow Statement: Scenario IV

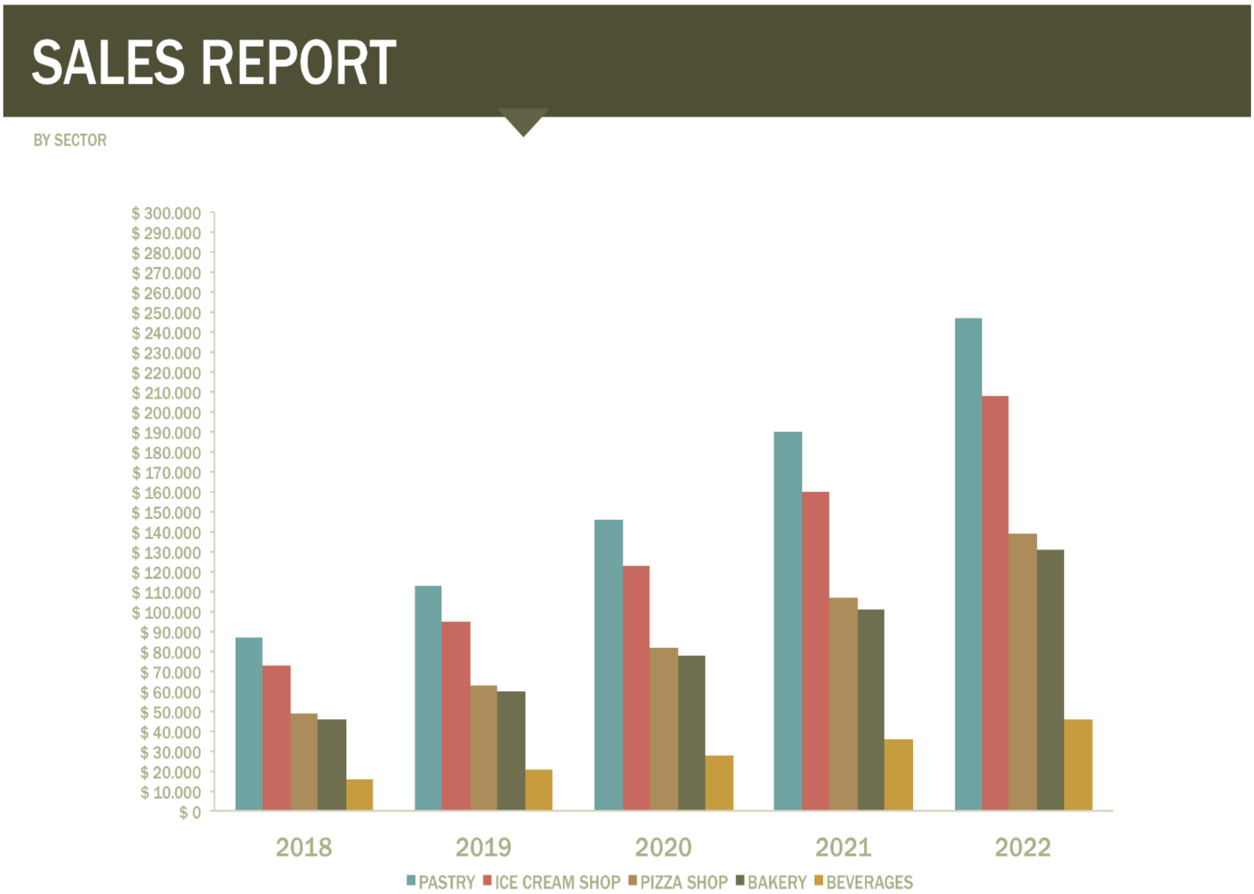
CASH FLOW (€)	2018	2019	2020	2021	2022
Cash, beginning of year	**-**	**94.000**	**100.983**	**117.480**	**145.742**
Net Income	(6.000)	1.983	8.798	17.051	28.705
Amortizations	1.000	1.000	1.000	1.000	1.000
Change in:					
Account Payables	*30.000*	*9.000*	*11.700*	*15.210*	*19.773*
Total change in NWC	**30.000**	**9.000**	**11.700**	**15.210**	**19.773**
Cash flows from (used in) operating activities	**25.000**	**11.983**	**21.498**	**33.261**	**49.478**
Tangible & Intangible fixed assets	(76.000)	-	-	-	-
Cash flows from (used in) investing activities	**(76.000)**	**-**	**-**	**-**	**-**
Free cash flow	**(51.000)**	**11.983**	**21.498**	**33.261**	**49.478**
Capital Increase / (Dividend payment)	100.000	-	-	-	-
Change in financial debt	45.000	(5.000)	(5.000)	(5.000)	(5.000)
Cash flows from (used in) financing activities	**145.000**	**(5.000)**	**(5.000)**	**(5.000)**	**(5.000)**
Cash flow	**94.000**	**6.983**	**16.498**	**28.261**	**44.478**
Cash, end of year	**94.000**	**100.983**	**117.480**	**145.742**	**190.219**

Ratios: Scenario IV

RATIOS	2018	2019	2020	2021	2022
ROE	-6,00%	2,11%	9,17%	16,27%	23,56%
ROA	-3,55%	1,13%	4,62%	7,83%	10,99%
EBIT / SALES	-1,39%	2,65%	5,37%	7,25%	9,00%
DAYS SALES OUTSTANDING	0,00	0,00	0,00	0,00	0,00
DAYS PAYABLE OUTSTANDING	59,50	61,90	63,63	64,87	66,07
NFO / EQUITY	-52%	-64%	-79%	-95%	-110%
COVENANT 1: EBITA / NFO	0,03	-0,12	-0,21	-0,26	-0,29
COVENANT 2: NI / EBITDA	-	27,53%	50,75%	57,45%	60,74%

2.7.5 Scenario VI

The sixth scenario of the full matrix, is based on the assumptions that 1.5% of people who visit the fairs will click on our website, and the 6% of them will spend € 500. Relatively to the baseline, as we can see, this represents a better situation with higher sales. Ratios highlight a good performance of the company considering the higher target obtained by the marketing strategy. The Return on Equity reaches 37,4% in the fifth year of activity. Indeed, the shareholders almost triplicate the equity value in year five.



PRODOTTO	2018	2019	2020	2021	2022	TOTAL
Pastry	86.400	112.320	146.016	189.821	246.767	534.557
Ice Cream shop	72.900	94.770	123.201	160.161	208.210	451.032
Pizza shop	48.600	63.180	82.134	106.774	138.806	300.688
Bakery	45.900	59.670	77.571	100.842	131.095	283.983
Beverages	16.200	21.060	27.378	35.591	46.269	100.229

Table 8 – Sector Sales Growth VI Scenario

Income statement: Scenario VI

INCOME STATEMENT (€)	2018		2019		2020		2021		2022	
Revenues										
Sales Revenue	270.000		351.000		456.300		593.190		771.147	
Total Revenues	**270.000**		**351.000**		**456.300**		**593.190**		**771.147**	
Costs		*% on revenues*		*%*		*%*		*%*		*%*
Cost of Good Sold	(200.000)	74,1%	(260.000)	74,1%	(338.000)	74,1%	(439.400)	74,1%	(571.220)	74,1%
Rents	(6.000)	2,2%	(6.000)	1,7%	(6.000)	1,3%	(6.000)	1,0%	(6.000)	0,8%
Personnel	(15.000)	5,6%	(19.500)	5,6%	(26.325)	5,8%	(36.065)	6,1%	(47.245)	6,1%
Web Advertising	(3.000)	1,1%	(3.000)	0,9%	(3.000)	0,7%	(3.000)	0,5%	(3.000)	0,4%
Software	(4.500)	1,7%	(4.500)	1,3%	(4.500)	1,0%	(4.500)	0,8%	(4.500)	0,6%
Travels	(10.000)	3,7%	(10.000)	2,8%	(10.000)	2,2%	(10.000)	1,7%	(10.000)	1,3%
Insurance	(4.000)	1,5%	(5.200)	1,5%	(6.760)	1,5%	(8.788)	1,5%	(11.424)	1,5%
Services	(2.000)	0,7%	(2.000)	0,6%	(2.200)	0,5%	(2.420)	0,4%	(2.662)	0,3%
Debt repayment	(5.000)	1,9%	(5.000)	1,4%	(5.000)	1,1%	(5.000)	0,8%	(5.000)	0,6%
Total Operating Costs	**(249.500)**	92,4%	**(315.200)**	89,8%	**(401.785)**	88,1%	**(515.173)**	86,8%	**(661.052)**	85,7%
Ebitda	**20.500**	7,6%	**35.800**	10,2%	**54.515**	11,9%	**78.017**	13,2%	**110.095**	14,3%
D&A	(1.000)	0,4%	(1.000)	0,3%	(1.000)	0,2%	(1.000)	0,2%	(1.000)	0,1%
Ebit	**19.500**	7,2%	**34.800**	9,9%	**53.515**	11,7%	**77.017**	13,0%	**109.095**	14,1%
Interest Expense	(3.500)	1,3%	(3.150)	0,9%	(2.800)	0,6%	(2.450)	0,4%	(2.100)	0,3%
Ebt	**16.000**	5,9%	**31.650**	9,0%	**50.715**	11,1%	**74.567**	12,6%	**106.995**	13,9%
Taxes	(5.600)	2,1%	(11.078)	3,2%	(17.750)	3,9%	(26.098)	4,4%	(37.448)	4,9%
Net Income	**10.400**	3,9%	**20.573**	5,9%	**32.965**	7,2%	**48.468**	8,2%	**69.547**	9,0%

Strategic Balance Sheet: Scenario VI

BALANCE SHEET (€)	2018		2019		2020		2021		2022	
Total Uses										
Fixed Assets		*% on NOA*		*%*		*%*		*%*		*%*
Tangible & Intangible fixed assets	75.000	48,3%	74.000	43,3%	73.000	36,7%	72.000	29,7%	71.000	23,1%
Long term investments	-	0,0%	-	0,0%	-	0,0%	-	0,0%	-	0,0%
Total fixed assets	**75.000**	48,3%	**74.000**	43,3%	**73.000**	36,7%	**72.000**	29,7%	**71.000**	23,1%
Net Working Capital										
Account Payables	(45.000)	29,0%	(58.500)	34,2%	(76.050)	38,2%	(98.865)	40,8%	(128.525)	41,9%
Net Working capital	**(45.000)**	29,0%	**(58.500)**	34,2%	**(76.050)**	38,2%	**(98.865)**	40,8%	**(128.525)**	41,9%
Total Uses of Funds	**30.000**	19,3%	**15.500**	9,1%	**(3.050)**	-1,5%	**(26.865)**	11,1%	**(57.525)**	18,7%
Total Equity										
Share capital	100.000	64,4%	100.000	58,5%	100.000	50,3%	100.000	41,3%	100.000	32,6%
Legal reserve	-	0,0%	1.029	0,6%	2.677	1,3%	5.100	2,1%	8.578	2,8%
Retained Earnings	-	0,0%	9.371	5,5%	28.296	14,2%	58.837	24,3%	103.828	33,8%
Net Income	10.400	6,7%	20.573	12,0%	32.965	16,6%	48.468	20,0%	69.547	22,7%
Shareholders Equity	**110.400**	71,0%	**130.973**	76,6%	**163.937**	82,4%	**212.406**	87,6%	**281.952**	91,9%
Net Financial Debt										
LT Borrowings (Bond)	45.000	29,0%	40.000	23,4%	35.000	17,6%	30.000	12,4%	25.000	8,1%
ST Borrowings	-	0,0%	-	0,0%	-	0,0%	-	0,0%	-	0,0%
Cash	125.400	80,7%	155.473	90,9%	201.987	101,5%	269.271	111,1%	364.477	118,7%
Net Financial Debt	**(80.400)**	51,7%	**(115.473)**	67,5%	**(166.987)**	83,9%	**(239.271)**	98,7%	**(339.477)**	110,6%
Total Sources of Funds	**30.000**	19,3%	**15.500**	9,1%	**(3.050)**	-1,5%	**(26.865)**	11,1%	**(57.525)**	18,7%

Cash Flow Statement: Scenario VI

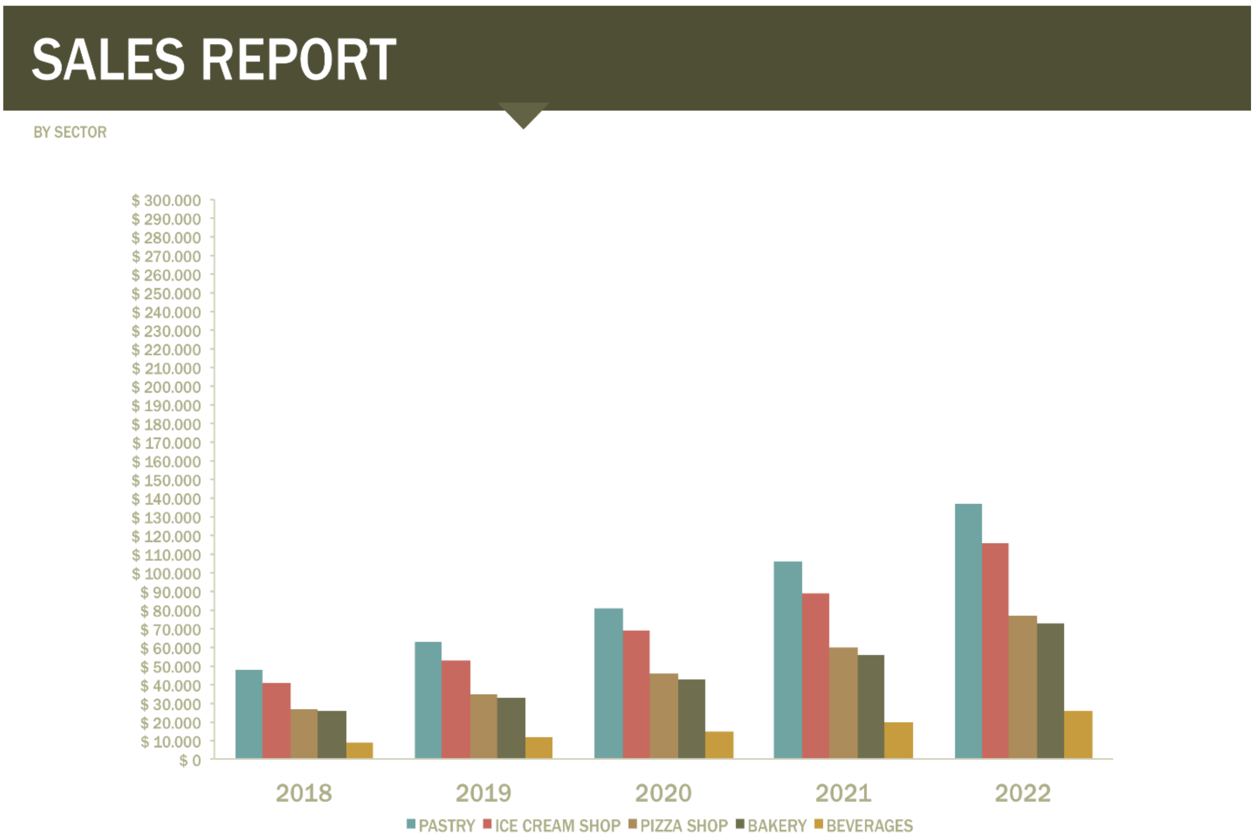
CASH FLOW (€)	2018	2019	2020	2021	2022
Cash, beginning of year	**-**	**125.400**	**155.473**	**201.987**	**269.271**
Net Income	10.400	20.573	32.965	48.468	69.547
Amortizations	1.000	1.000	1.000	1.000	1.000
Change in:					
Account Payables	*45.000*	*13.500*	*17.550*	*22.815*	*29.660*
Total change in NWC	**45.000**	**13.500**	**17.550**	**22.815**	**29.660**
Cash flows from (used in) operating activities	**56.400**	**35.073**	**51.515**	**72.283**	**100.206**
Tangible & Intangible fixed assets	(76.000)	-	-	-	-
Cash flows from (used in) investing activities	**(76.000)**	**-**	**-**	**-**	**-**
Free cash flow	**(19.600)**	**35.073**	**51.515**	**72.283**	**100.206**
Capital Increase / (Dividend payment)	100.000	-	-	-	-
Change in financial debt	45.000	(5.000)	(5.000)	(5.000)	(5.000)
Cash flows from (used in) financing activities	**145.000**	**(5.000)**	**(5.000)**	**(5.000)**	**(5.000)**
Cash flow	**125.400**	**30.073**	**46.515**	**67.283**	**95.206**
Cash, end of year	**125.400**	**155.473**	**201.987**	**269.271**	**364.477**

Ratios: Scenario VI

RATIOS	2018	2019	2020	2021	2022
ROE	10,40%	18,63%	25,17%	29,57%	32,74%
ROA	5,19%	8,97%	11,99%	14,20%	15,97%
EBIT / SALES	7,22%	9,91%	11,73%	12,98%	14,15%
DAYS SALES OUTSTANDING	0,00	0,00	0,00	0,00	0,00
DAYS PAYABLE OUTSTANDING	64,93	66,81	68,14	69,09	69,99
NFO / EQUITY	-72,83%	-88,17%	-101,9%	-112,6%	-120,4%
COVENANT 1: EBITA / NFO	-0,25	-0,31	-0,33	-0,33	-0,32
COVENANT 2: NI / EBITDA	50,73%	57,47%	60,47%	62,13%	63,17%

2.7.6 Scenario VIII

The eighth scenario of the full matrix, is based on the assumptions that 1% of people who visit the fairs will click on our website, and the 5% of them will spend € 500. Relatively to the baseline, this represents the second worst situation with really low level of sales. As we can see from the figures below, the company face a loss in the first two years of activity and reaches the breakeven point in the third year only. This is because the marketing strategy is not so efficient, and does not reach a good level of target consumers. However, we chosen to not reduce the staff expense even in this case because we want invest in high quality standard service to convince our customers to trade more and more with us in future periods.



PRODOTTO	2018	2019	2020	2021	2022	TOTAL
Pastry	48.000	62.400	81.120	105.456	137.093	296.976
Ice Cream shop	40.500	52.650	68.445	88.979	115.672	250.574
Pizza shop	27.000	35.100	45.630	59.319	77.115	167.049
Bakery	25.500	33.150	43.095	56.024	72.831	157.769
Beverages	9.000	11.700	15.210	19.773	25.705	55.683

Table 9 – Sector Sales Growth VIII Scenario

Income statement: Scenario VIII

INCOME STATEMENT (€)	2018		2019		2020		2021		2022	
Revenues										
Sales Revenue	150.000		195.000		253.500		329.550		428.415	
Total Revenues	**150.000**		**195.000**		**253.500**		**329.550**		**428.415**	
Costs		*% on revenues*		%		%		%		%
Cost of Good Sold	(111.111)	74,1%	(144.444)	74,1%	(187.778)	74,1%	(244.111)	74,1%	(317.344)	74,1%
Rents	(6.000)	4,0%	(6.000)	3,1%	(6.000)	2,4%	(6.000)	1,8%	(6.000)	1,4%
Personnel	(15.000)	10,0%	(19.500)	10,0%	(26.325)	10,4%	(36.065)	10,9%	(47.245)	11,0%
Web Advertising	(3.000)	2,0%	(3.000)	1,5%	(3.000)	1,2%	(3.000)	0,9%	(3.000)	0,7%
Software	(4.500)	3,0%	(4.500)	2,3%	(4.500)	1,8%	(4.500)	1,4%	(4.500)	1,1%
Travels	(10.000)	6,7%	(10.000)	5,1%	(10.000)	3,9%	(10.000)	3,0%	(10.000)	2,3%
Insurance	(2.222)	1,5%	(2.889)	1,5%	(3.756)	1,5%	(4.882)	1,5%	(6.347)	1,5%
Services	(2.000)	1,3%	(2.000)	1,0%	(2.200)	0,9%	(2.420)	0,7%	(2.662)	0,6%
Debt repayment	(5.000)	3,3%	(5.000)	2,6%	(5.000)	2,0%	(5.000)	1,5%	(5.000)	1,2%
Total Operating Costs	**(158.833)**	105,9%	**(197.333)**	101,2%	**(248.558)**	98,1%	**(315.979)**	95,9%	**(402.099)**	93,9%
Ebitda	**(8.833)**	5,9%	**(2.333)**	1,2%	**4.942**	1,9%	**13.571**	4,1%	**26.316**	6,1%
D&A	(1.000)	0,7%	(1.000)	0,5%	(1.000)	0,4%	(1.000)	0,3%	(1.000)	0,2%
Ebit	**(9.833)**	6,6%	**(3.333)**	1,7%	**3.942**	1,6%	**12.571**	3,8%	**25.316**	5,9%
Interest Expense	(3.500)	2,3%	(3.150)	1,6%	(2.800)	1,1%	(2.450)	0,7%	(2.100)	0,5%
Ebt	**(13.333)**	8,9%	**(6.483)**	3,3%	**1.142**	0,5%	**10.121**	3,1%	**23.216**	5,4%
Taxes		0,0%		0,0%	(400)	0,2%	(3.542)	1,1%	(8.126)	1,9%
Net Income	**(13.333)**	8,9%	**(6.483)**	3,3%	**742**	0,3%	**6.579**	2,0%	**15.091**	3,5%

Strategic Balance sheet: Scenario VIII

BALANCE SHEET (€)	2018		2019		2020		2021		2022	
Total Uses										
Fixed Assets		*% on NOA*		*%*		*%*		*%*		*%*
Tangible & Intangible fixed assets	75.000	57,0%	74.000	61,6%	73.000	63,0%	72.000	61,3%	71.000	55,6%
Long term investments	-	0,0%	-	0,0%	-	0,0%	-	0,0%	-	0,0%
Total fixed assets	**75.000**	57,0%	**74.000**	61,6%	**73.000**	63,0%	**72.000**	61,3%	**71.000**	55,6%
Net Working Capital										
Account Payables	(25.000)	19,0%	(32.500)	27,0%	(42.250)	36,4%	(54.925)	46,7%	(71.403)	56,0%
Net Working capital	**(25.000)**	19,0%	**(32.500)**	27,0%	**(42.250)**	36,4%	**(54.925)**	46,7%	**(71.403)**	56,0%
Total Uses of Funds	**50.000**	38,0%	**41.500**	34,5%	**30.750**	26,5%	**17.075**	-14,5%	**(403)**	0,3%
Total Equity										
Share capital	100.000	75,9%	100.000	83,2%	100.000	86,3%	100.000	85,1%	100.000	78,4%
Legal reserve	-	0,0%	-	0,0%	-	0,0%	329	0,3%	1.083	0,8%
Retained Earnings	-	0,0%	(13.333)	-11,1%	(19.817)	-17,1%	(19.404)	-16,5%	(13.579)	-10,6%
Net Income	(13.333)	-10,1%	(6.483)	-5,4%	742	0,6%	6.579	5,6%	15.091	11,8%
Shareholders Equity	**86.667**	65,8%	**80.183**	66,7%	**80.925**	69,8%	**87.504**	74,5%	**102.595**	80,4%
Net Financial Debt										
LT Borrowings (Bond)	45.000	34,2%	40.000	33,3%	35.000	30,2%	30.000	25,5%	25.000	19,6%
ST Borrowings	-	0,0%	-	0,0%	-	0,0%	-	0,0%	-	0,0%
Cash	81.667	62,0%	78.683	65,5%	85.175	73,5%	100.429	85,5%	127.997	100,3%
Net Financial Debt	**(36.667)**	27,8%	**(38.683)**	32,2%	**(50.175)**	43,3%	**(70.429)**	59,9%	**(102.997)**	80,7%
Total Sources of Funds	**50.000**	38,0%	**41.500**	34,5%	**30.750**	26,5%	**17.075**	-14,5%	**(403)**	0,3%

Cash Flow Statement: Scenario VIII

CASH FLOW (€)	2018	2019	2020	2021	2022
Cash, beginning of year	**-**	**81.667**	**78.683**	**85.175**	**100.429**
Net Income	(13.333)	(6.483)	742	6.579	15.091
Amortizations	1.000	1.000	1.000	1.000	1.000
Change in:					
Account Payables	*25.000*	*7.500*	*9.750*	*12.675*	*16.478*
Total change in NWC	**25.000**	**7.500**	**9.750**	**12.675**	**16.478**
Cash flows from (used in) operating activities	**12.667**	**2.017**	**11.492**	**20.254**	**32.568**
Tangible & Intangible fixed assets	(76.000)	-	-	-	-
Cash flows from (used in) investing activities	**(76.000)**	**-**	**-**	**-**	**-**
Free cash flow	**(63.333)**	**2.017**	**11.492**	**20.254**	**32.568**
Capital Increase / (Dividend payment)	100.000	-	-	-	-
Change in financial debt	45.000	(5.000)	(5.000)	(5.000)	(5.000)
Cash flows from (used in) financing activities	**145.000**	**(5.000)**	**(5.000)**	**(5.000)**	**(5.000)**
Cash flow	**81.667**	**(2.983)**	**6.492**	**15.254**	**27.568**
Cash, end of year	**81.667**	**78.683**	**85.175**	**100.429**	**127.997**

Ratios: Scenario VIII

RATIOS	2018	2019	2020	2021	2022
ROE	-13,33%	-7,48%	0,93%	8,13%	17,25%
ROA	-8,51%	-4,25%	0,47%	3,82%	7,58%
EBIT / SALES	-6,56%	-1,71%	1,55%	3,81%	5,91%
DAYS SALES OUTSTANDING	0,00	0,00	0,00	0,00	0,00
DAYS PAYABLE OUTSTANDING	56,66	59,29	61,19	62,58	63,93
NFO / EQUITY	-42,31%	-48,24%	-62,00%	-80,49%	-100,4%
COVENANT 1: EBITA / NFO	0,24	0,06	-0,10	-0,19	-0,26
COVENANT 2: NI / EBITDA	-	-	15,02%	48,48%	57,34%

2.7.7 Sensitivity Analysis

The aim of the sensitivity analysis is to analyse the forecast scenarios in order to implement the necessary policies to maximize business performance. It analysis the effects on net income when forecasted sales are increased or decreased by various percentages.

An easy and intuitive way to develop this analysis is to observe the different ratios produced by considering the different levels of effectiveness of the marketing strategy. In fact, as explained above, we assume various different levels of visibility achieved, and consequently different levels of sales. We forecasted nine different scenarios in order to have a more accurate picture of the business response to possible changes in the economic and financial situation.

Namely, by in this process we constructed profitability and financial ratios in order to compare the percentage achieved in each single scenario. This report of the business performance it is useful for financial institutions to analyse the sustainability of the business project in the various economic environments, in order to build a lasting relationship with us.

In order to construct the ratios presented below we estimated nine levels of forecasted sales. The ratios considered for this analysis are: *Return on Equity (ROE), Return on Assets (ROA), Earnings Before Interest Taxation and Amortization* on *Net Financial Obligation (EBITA/NFO), Net Income* on *Earnings Before Interest Taxation Depreciation and Amortization (NI/EBITDA), Days Sales Outstanding (DSO),* and *Days Payable Outstanding (DPO).* These indexes are the most representative of the economic and financial situation of the company and guarantee a good representativeness of the business practice.

Year 2018							
Ratios:	**ROE**	**ROA**	**EBIT/SALES**	**DAYS PAY. OUT.**	**NFO / EQUITY**	**EBITA/NFO**	**N. I./EBITDA**
Scenario I	5,63%	2,96%	5,07%	63,48	-66,87%	-0,19	42.78%
Scenario II	15,17%	7,22%	8,94%	66,14	-78,29%	-0,31	54.49%
Scenario III	24,70%	10,75%	11,53%	68,03	-87,97%	-0,39	58.12%
Scenario IV	-6,00%	-3,55%	-1,39%	59,50	-52,13%	0,03	-
Scenario V	3,25%	1,75%	3,78%	62,65	-63,68%	-0,14	34,21%
Scenario VI	10,40%	5,19%	7,22%	64,93	-72,83%	-0,25	50,73%
Scenario VII	-20,67%	-14,32%	-14,31%	52,88	-30,67%	0,66	-
Scenario VIII	-13,33%	-8,51%	-6,56%	56,66	-42,31%	0,24	-
Scenario IX	-6,00%	-3,55%	-1,39%	59,50	-52,13%	-0,52	-

Table 10 - Ratios for Sensitivity Analysis by year

Year 2019							
Ratios:	**ROE**	**ROA**	**EBIT/SALES**	**DAYS PAY. OUT.**	**NFO / EQUITY**	**EBITA/NFO**	**N. I./EBITDA**
Scenario I	13,61%	6,78%	8,10%	65,52	-81,67%	-0,27	54.73%
Scenario II	23,24%	10,84%	11,37%	67,89	-93,66%	-0,34	59.05%
Scenario III	31,41%	13,89%	13,55%	69,57	-102,44%	-0,38	60.81%
Scenario IV	-3,55%	1,13%	2,65%	61,90	-63,54%	-0,12	27,53%
Scenario V	10,92%	5,55%	7,01%	64,76	-77,95%	-0,24	52,45%
Scenario VI	18,63%	8,97%	9,91%	66,81	-88,17%	-0,31	57,47%
Scenario VII	-20,19%	-12,39%	-8,25%	55,76	-24,19%	0,77	-
Scenario VIII	-7,48%	-4,25%	-1,71%	59,29	-48,24%	0,06	-
Scenario IX	2,11%	1,13%	2,65%	61,90	-63,54%	-0,64	27,53%

Table 11 - Ratios for Sensitivity Analysis by year

Year 2020							
Ratios:	**ROE**	**ROA**	**EBIT/SALES**	**DAYS PAY. OUT.**	**NFO / EQUITY**	**EBITA/NFO**	**N. I./EBITDA**
Scenario I	20,76%	10,06%	10,14%	66,95	-96,27%	-0,30	59.14%
Scenario II	28,90%	13,56%	13,00%	69,12	-106,29%	-0,34	61.31%
Scenario III	34,87%	15,99%	14,91%	70,65	-112,85%	-0,37	62.31%
Scenario IV	9,17%	4,62%	5,37%	63,63	-78,72%	-0,21	50,75%
Scenario V	18,23%	8,93%	9,18%	66,26	-92,89%	-0,29	58,12%
Scenario VI	25,17%	11,99%	11,73%	68,14	-101,86%	-0,33	60,47%
Scenario VII	-17,77%	-9,31%	-4,17%	57,87	-24,71%	0,58	-
Scenario VIII	0,93%	0,47%	1,55%	61,19	-62,00%	-0,10	15,02%
Scenario IX	9,17%	4,62%	5,37%	63,63	-78,72%	-0,79	50,75%

Table 12 - Ratios for Sensitivity Analysis by year

Year 2021							
Ratios:	**ROE**	**ROA**	**EBIT/SALES**	**DAYS PAY. OUT.**	**NFO / EQUITY**	**EBITA/NFO**	**N. I./EBITDA**
Scenario I	26,22%	12,63%	11,55%	67,98	-108,68%	-0,31	61.38%
Scenario II	32,22%	15,44%	14,13%	70,00	-115,65%	-0,34	62.62%
Scenario III	36,15%	17,27%	15,85%	71,41	-119,88%	-0,35	63.23%
Scenario IV	16,27%	7,83%	7,25%	64,87	-95,00%	-0,26	50,75%
Scenario V	24,19%	11,68%	10,69%	67,34	-106,18%	-0,30	60,84%
Scenario VI	29,57%	14,20%	12,98%	69,09	-112,65%	-0,33	62,13%
Scenario VII	-11,50%	-4,99%	-1,34%	59,43	-39,10%	0,14	-
Scenario VIII	8,13%	3,82%	3,81%	62,58	-80,49%	-0,19	48,48%
Scenario IX	16,27%	7,83%	7,25%	64,87	-95,00%	-0,95	57,45%

Table 13 - Ratios for Sensitivity Analysis by year

Year 2022							
Ratios:	**ROE**	**ROA**	**EBIT/SALES**	**DAYS PAY. OUT.**	**NFO / EQUITY**	**EBITA/NFO**	**N. I./EBITDA**
Scenario I	30,58%	14,79%	12,86%	68,97	-118,11%	-0,32	62.74%
Scenario II	34,38%	16,87%	15,18%	70,83	-122,09%	-0,33	63.46%
Scenario III	36,69%	18,17%	16,72%	72,13	-124,40%	-0,34	63.83%
Scenario IV	23,56%	10,99%	9,00%	66,07	-109,75%	-0,29	60,74%
Scenario V	29,21%	14,06%	12,09%	68,37	-116,62%	-0,31	62,44%
Scenario VI	32,74%	15,97%	14,15%	69,99	-120,40%	-0,32	63,17%
Scenario VII	3,20%	1,14%	1,28%	60,96	-70,81%	-0,16	27,49%
Scenario VIII	17,25%	7,58%	5,91%	63,93	-100,39%	-0,26	57,34%
Scenario IX	23,56%	10,99%	9,00%	66,07	-109,75%	-1,10	60,74%

Table 14 - Ratios for Sensitivity Analysis by year

2.7.8 Covenant on bank loan

In order to get the bank loan, it is necessary to agree with the financial institution some pacts that guarantee the repayment of debt. This practice is widespread among the lenders who finance new business projects that need funds to start the business. Generally, the covenants concern the establishment of certain financial parameters (agreed with the bank), which express the ability of repayment of corporate debt. Specifically, when the pre-set financial ratios exceed the thresholds agreed with the financial institution, automatically snap into force clauses fixed by contract. Such clauses typically may concern the re-negotiation of debt with stricter conditions than the previous ones, they may provide for the addition of a new collateral, or even the call of the loan. Strong covenant packages preserve loan terms, mitigate credit risk and impact bank loan ratings. Loan covenants provide both explicit and implicit protections. Explicit protections are afforded through the numerous provisions that preserve the terms of the loan agreement and restrict cash outflows. Implicit protections are derived from the on-going financial tests that frame an acceptable risk profile for the borrower and facilitate credit monitoring. Financial covenants are formulated to track management projections, with levels normally discounted to account for a reasonable measure of underperformance. They serve as benchmarks for lenders to compare operating performance and represent a meaningful lever in protecting against credit loss since they can provide creditors with recourse in the event of non-performance. In particular, the international rating agency Fitch IBCA looks for covenants that support critical loan terms, limit leverage, restrict cash outflows and monitor the issuer's key business drivers. "*Tighter covenants can take many forms depending on the profile of the borrower and can include financial tests set closely to management projections. Covenants should parallel the company's core business strategy without being too restrictive. Management must be allowed moderate flexibility to* *act on strategic opportunities and react to industry cycles*". (*M. Verde, 1999. 'Loan preserve. The Value of Covenants'. Page 4. Fitch IBCA. New York, USA.*).

These covenants are especially significant in the case of start-up like ours, which in the initially phase could not have the levels of cash flow needed to guarantee the ability to offset the impact of potentially unsuccessful expansion projects. In fact, adding covenants to the debt contract, it allows us to build a lasting relationship with the bank. Namely, in case our company experiences the economic conditions that will trigger the covenants condition, the bank will enter in our activity enhancing our capital structure, in order to help our company to reach, in a safer way, the baseline business levels with the commitment to pay a higher interest rate (when the business is performing well), and adopting the policies imposed by bank on profits distribution.

For our company it is necessary to take into account the development risks associated with industries like ours who plan to trade their products in transnational markets. In addition, we consider covenants represent the possibility of supporting a lower cost on debt. In fact, adding these covenants to the contract allow us to pay a lower interest rate on debt with respect the case in which we do not adopt them. This is because including covenants our rating on debt will be considered higher.

For these reasons, we adopted for the loan agreement, a financial covenant structure with two stages. In the first stage covenants track debt-to-total earnings, and subscriber growth during the early stages of the loan term when cash flow is either negative or negligible. After the so-called *build-out* is completed and positive cash flows are generated, traditional policies are applied.

According to the Table 2 of the *Special Report on Loan Products* released by the international rating agency 'Fitch IBCA', we established a possible strategy to define the financial covenants agreement. Indeed, Table 2 contains the frequency of financial covenants applied on financial market.

We made a market research on this issue, and we agreed on a frequently used formula for this kind of agreements, which contemplates the compliance of two covenants based on the ratios EBITA over Net Financial Obligations (NFO), and Net Income (NI) over EBITDA. The first covenant requires that the ratio EBITA / NFO must not be greater than 0.5 in order to not be activated. On the other hand, the ratio NI / EBITDA to doesn’t trigger the covenant, it needs to be greater than 20%.

The agreement with the bank provides that for the sixth year of company's activities it will be launched the renegotiation procedure for interest rate, and also the suspension of the profit distribution, if within the first five years of life of the company both covenants will be breached for two consecutive years. The renegotiation of the interest rate will consist in the payment of the original interest rate plus 0.5% points. However, once the financial situation will be positive again, then the restriction on profit distribution mentioned above will stop working.

Table from 16, reported below, shows if the covenants are respected in every year for each possible scenario. The cells are highlighted in green when the ratios exceed the thresholds, meaning that the business is performing well, in red otherwise.

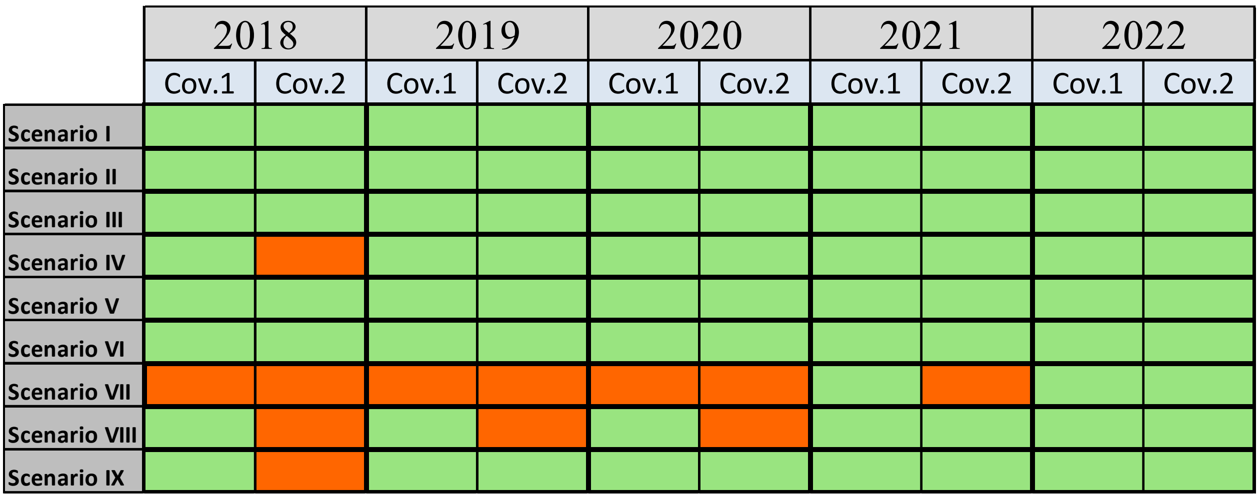


Figure 5 – Covenants Compliance Forecast

As it is possible to see in the above table, under the seventh scenario (the worst case scenario) the business activity underperforms triggering the covenant conditions. However, the table confirms the effectiveness of the project because, out of nine scenarios that we have developed, only one shows critical issues on the performance such as to enable the covenants conditions. So, ultimately, we judge positively the stipulation of financial covenants on debt, because it will allow us to achieve higher rating and a lasting relationship with the bank.

Conclusions

The dissertation aims to develop the business plan of a company (the I.F.E. s.p.a.) to set up, which will operate in the food sector. Analysing the market, we expect that there are great possibilities for business expansion in the European and world market. The products that we intend to sell are exclusively of Italian origin which are appreciated worldwide for their high quality standards. Specifically, to trade in many European countries we decided to develop a powerful platform in order to generate a strong e-commerce business. The choice to interact with customers only through the electronic platform, it is made for various reasons. First of all, with e-commerce it is possible to get and process a huge quantity of data. Moreover, we want reduce as much as possible the possibility to have negative cash flow, hence, with e-commerce we have the chance to be paid upfront with the credit card system. Regarding the delivery costs, we decided to outsource the service, relying with experts in the transportation sector, who will help us in the initial stages of the business.

Currently does not exist a leader company competitive to our business. We face a segmented market with many different competitors. For this reason, we believe that customers will appreciate our service because they will have a single platform to buy online their favourite Italian products. We could distinguish our competitors in companies that operate in foreign countries, which import Italian products and resell them to local customers, and Italian companies that export part of their production to the European market. The I.F.E. s.p.a.'s goal is to quickly become the leader in this field, taking advantage of a significant advertising campaign. We intend to finance our presence in the most important food fairs in the world, in order to gain other companies and make them loyal customers. In order to do that, initially we will set the selling price of each product a bit lower with respect to market prices. We want to contain the costs of the service within a level that would allow us to practice the lowest price possible, in order to be very competitive.

Again, our greatest challenge will be the capacity to charge a convenient price for our customers, considering that the shipment costs will fall entirely on our customers, and the nature of treated product make them very sensitive to temperatures shocks. Therefore, the necessity of the appropriate packaging makes the shipment costs highly volatile. This aspect represents one of the major risks for the profitability of the business.

We have developed a matrix of nine possible scenarios, including different levels of effectiveness of our marketing strategy. We built the full matrix to better respond to different sales volumes; for each scenario is assumed a different number of loyal customers. We always want to be able to offer a great service, and that is why we have drawn nine economic and financial environments. However, given the growth forecast estimates for the food European market, for each scenario we assumed that our sales volume will increase yearly, by 30%. Therefore, we created the income statement, the balance sheet and the cash flow statement for every scenario in the first five years of operations for each scenario, in order to have the complete picture of the possible evolutions of the business activity.

In the baseline model, we assumed for the first year sales revenue for € 225.000. The net income for the first year is positive (€ 3.250) and it reaches almost € 50.000 in the fifth year. All the profitability ratios increase rapidly in the five years, for instance the Return on Equity (ROE) in the first year is about 3% and becomes about 30% in the last year attesting the good enterprise's health in the most likely scenario. The Return on Assets (ROA) is about 1,75% in the first year, and it increases every year reaching the 14,06% in the fifth year. In the baseline scenario the profitability is strictly positive, even the ratio EBIT on Sales it is increasing over the years and reaches the 15,18% in the fifth year.

For the nature of the company, days sales outstanding it is equal to zero because we do not accumulate accounts payable, letting our customers pay by credit card on our website.

The efficiency ratio Days payable outstanding (DPO) is on average about 68, therefore the company takes almost two months to pay the suppliers. Considering the last two ratios, we can assert that we do always guarantee to the company a very positive cash flow.

The ratio Net Financial Obligation over Equity, it is negative for all five years. The negativity of the index is given by its numerator (NFO); in fact, we always report greater financial assets with respect to financial liabilities for the baseline scenario.

The last two ratios that we want to present are particularly important because they are related to the financial covenant that we intend to stipulate with the financial institution. In fact, we considered to apply for a loan of € 50.000 to fund the business, payable with annual tranches of € 5000, and a forecasted annual interest rate of seven percent. Hence, to pay a relatively low interest rate, we undertake a loan covenant in order to enhance our debt rating. The loan covenant establishes two thresholds on the values of two ratios (EBITA over Net Financial Obligations, and Net Income over EBITDA) that the company is committed to comply. In case the company fails to respect these two benchmarks, the bank will initiate a procedure of interest rate renegotiation, and it will impose limitations on the profits distribution, as explained in subsection 2.7.8.

As mentioned, we proposed the elaboration of other 8 scenarios in order to give a full picture of the possible outcomes of the business' performance. In section 2.7, we showed a financial forecast for all the scenarios, whether the company will operate in a "good" or "bad" state of the world. Therefore, to maximize the performances in each state of the world, the company forecast an intervention on total expenses, specially operating on staff adjustment, in relation to the sales volumes that the company will face.

Finally, the company, based on the studies and research carried out and the results of this business plan, believes that the business idea is fully realizable and that promotes the achievement of a high profitability in the short term, in a financial stability prospective.

The major risk for the company is given by the possibility that the marketing strategy fails to reach enough potential customers. In order to better address this possibility, we have developed 9 scenarios, and in all of them we assumed a different level of potential customers. Nevertheless, we expect our project to be feasible. As evidenced by the level of revenues in the multiple pessimistic and optimistic scenarios elaborated.

Therefore, we believe that, given the highlighted data, the company can easily cope with the mortgage needed from bank institution, succeeding in the first years of business to be profitable for shareholders.

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Summary

In management, there are some key skills that a manager must be familiar with. Create a business plan is one of these. The business plan is intended as a strategic document on what a new or already existing organization wants to implement in order to achieve specific objectives of competitiveness and sustainability. Today, in an economy completely transformed and highly competitive, this expertise can make a difference and is an advantage for those who can implement it. Indeed, the business plan should consist of all the necessary information to make a decision by investors, banks, and the board of directors.

A business plan is especially useful if the company is about to take an important step in its development, whether this is the founding of a business, the introduction of a new product, expansion abroad, the acquisition of another company, or the creation of a succession plan. In these and similar cases, it is crucial to show, with the help of a business plan, that there is an opportunity for future success. This requires a precise market assessment and planning of the company's activities.

Writing a business plan compels management to clearly present its plans and goals. The business plan also allows management to show prospective business partners or future members of management the opportunities and risks of the proposed business strategy. It creates transparency regarding the solutions for meeting real customer needs and thus promotes trust in the company. Together with good management, it forms the basis for long-term above average returns for the company. The business plan is therefore important as an acquisition and negotiating document.

The first part of the thesis underlines what is a business plan, the strategic importance for any organization to be able to make a business plan, highlighting the structure and the benefits of a good business plan, both for internal and external purposes. The components of the financial statements will be highlighted; moreover, what are the different techniques to make a realistic financial analysis.

The second part of the thesis implements the methodology. We build a business plan for the constitution of a new company that intends trade Italian food products through a powerful platform on web. This part focuses on the discussion of the business idea, it illustrates the market and the environment where the company operates, it describes how is composed the management and the organizational structure, and how the management intends to achieve its goals. Moreover, this section clarifies the kind of products that company wants to trade and the best marketing strategy to gain as many customers as possible in order to sell them its products. Furthermore, last subsection will present the financial forecast and analysis. We implement nine different scenarios, assuming nine levels of projected sales. Farther, we analyse the business' performance for each scenario in the first five years' period, explaining what funds we will use, how debt will be paid back, and discussing about how the financial covenants features will ensure a higher debt rating, but at the same time, they could affect the policy distribution of future profits.

I.F.E. S.p.A. purpose. I.F.E. S.p.A. is an innovative start-up that wants to become world leader as Italian food electronic commerce. The goal is to sell Italian products mostly for pastry, ice cream and pizza to business units and private consumers. In these sectors, Italian products are seen as the top all over the world. I.F.E. S.p.A.'s mission is to be able to reach customers all around the world providing the whole range of Italian agri-food items with our fascinating Web site. We believe that growth opportunities are exponential.

I.F.E. idea. The idea of creating I.F.E. S.p.A. was born after years working in the chain of agro-food in Naples. The founder Claudio Granillo has five years' experience working as general manager in a family company, which provides primary products to shops in southern Italy. It is a young company that follows a real family tradition, handed down from father to son, where ancient and modern merge together in order to offer customers new genuine products. The company was founded as a food wholesale distribution of products for bakeries, pasta, pizzerias, pubs, bakeries, cafes and ice cream shops. The company distributes its products on a large part of the territory of Naples and its province, making use of valid collaborators, supplying quickly and with maximum availability and friendliness, offering constant assistance in all phases of goods' supply.

Claudio noticed the opportunity to expand the business around the world using the potential offered by electronic commerce. The business activity will be based on an electronic platform that will allows to reach customers around the world, and at the same time it gives the opportunity to reduce transaction costs otherwise faced in a small business.

Exploiting the potential of digital stores, we want to be the first Italian food platform offering visibility to products appreciated throughout the world.

Problem: absence of a leading web supplier. At the moment, companies located abroad are forced to rely on many Italian manufactures to purchase Italian products. Relying on different manufacturers corresponds to the payment of many delivery costs and waste of time. I.F.E. S.p.A. proposes itself as a leading global Italian wholesaler for bakers, pastry chefs, chocolatiers, food and beverage; we offer as well a wide range of products: food, packaging, decorations or equipment.

Product: best among Italian products and the fascinate electronic platform. As Italian Food Export we propose to bakers, confectioners, caterers and restaurants, a wide range of Italian products; approximately 6,000 products are available, the main recognized and trusted brands.

I.F.E. S.p.A. is both an interactive Web site and a commercial platform for small and medium-sized businesses. I.F.E. S.p.A. organizes, in a user-friendly way, local products. This service extends from posting food items to setting up complete interactive sales catalogues, with electronic online processing of transactions.

First years of activity. We are located in Naples, where we are confident to find lasting partners. In this area we have already identified potential partners with the warehouses needed for the business. We believe relevant to jointly invest with local firms both to exploit the partners' knowhow, and also to have the possibility of 6,000 disposable goods. We made this strategic decision to save millions of Euros from the purchase of several commodities. For these reasons, in order to start the business, we need to rely on a local retailer which has already available in its warehouse enough products to market online. Indeed, we already had contact with a couple of potential partners.

In the first year of activity, the main challenge will be the retrieval of images and information about the products to sale. We need to collect information such as height, length, depth and weight. This step is relevant to quantify the amount of delivery costs. Moreover, it is important to consider that some products require refrigeration during the warmer months. This will impact the delivery costs between 20 and 40%, as it will require prompt shipment.

Currently we have already made arrangements with the company I.G. Italy LTD for the purchase of business management software to be used to centralize the business activities such as shipping and payment. Also this software will be essential for the study and analysis of data from inventory management, marketing department, and sales, everything to make the whole process more efficient.

As the following document shows, the management software components are varied. The company I.G. Italia will provide installation and regular maintenance of supplementary systems. We also intend to set up an IT department that will take care of the resolution of outstanding issues and the measurement and control of systems performance.

Social capital and revenue forecasts I.F.E. S.p.A is owned by the three operating partners for a third each. We are not holding any patents, however it will be necessary for us to register our brand through a series of registrations in Italy, in the European

Union and internationally. One of the partners holds leadership roles in the food industry for over 10 years and he is specialized in the field of large retailers. He has great knowledge in the field of food legislation, this expertise will speed the process to obtain the permits to start the business.

The service does not require huge amounts of capital, excluding marketing and advertising costs; moreover, it requires no specialized workforce. Specifically, the workforce used in the internal organizational structure will be used mainly to the care of the packaging and preparation of shipments.

The capital provided by the shareholders amounts to € 100,000. Also will be a ten years' mortgage of 50,000 €.

Based on the forecasted budget we built, we expect a financial break-even for the second year of activity, and invoiced in the order of € 150,000 the first year and then exceed the € 300,000 in the second year and get to 500,000 € in the fifth year, in the worst-case scenario. It will also distribute dividends from the second year as shown in the forecast budget below.

Market size. According to the 2015 report of FEDERALIMENTARI, each year 1.2 billion people buy an Italian food product and 750 million of these are loyal customers. In the period between 2004 and 2014, the food industry has increased the value of its exports of 83.8%. But if the picture of the last decade certifies a positive trend and increased capacity of Italian agri-food industry penetration in key foreign markets, our country is still lagging behind its main European competitors. We believe that this is partially due to the high-risk aversion of the thousands small and medium-sized enterprises. Given their size, those firms do not invest in foreign markets. Our goal is to provide the necessary visibility to Italian products, thanks to our online platform. Initially we intend to penetrate the European market and later expand the business to America and China.

Customer description. As Business-to-Business Company, our main customers are the grocery stores and shopping malls. It is planned to allocate 10-15% of the sales also to private consumers. Obviously the volume of products sold to ordinary consumers is extremely lower than the sales volume in relation to other business.
Our customers belong entirely to the private sector and they are very segmented. For this reason, we want to invest in advertising our platform, we also want to participate in different trade shows in order to make our platform visible and create a network with possible customers. Furthermore, through advertising via Internet and social networks we want to ensure a high degree of penetration in the different segments of the market.
In our baseline scenario (discussed in the next section) we forecast to reach about 4,000 loyal customers with an average consumption of 500 euro. We estimated that the 25% of loyal customers will be composed by customers from Belgium, Denmark, Finland and Netherlands, the 25% from Germany customers, the 15% from France, the 10% from Spain and the 20 % from United Kingdom. We forecast only 5% of Italian customers for the first year of activity, mainly because the competitiveness considerably increases in Italy, and also because according to many reports from the European Commission, Italy is a country with a very low access to internet among all the European populations.

The website and the online platform. Customers will find extremely easy to view and select products to purchase. The structure of the e-commerce will be crucial for the success of our business. Since the very beginning the website should be efficient and intuitive to navigate. It will be necessary to upload all the characteristics of the products (i.e. volume, weight, height, etc.) because we want customers to be able to maximize their shopping basket with our products, minimizing the delivery costs. Indeed, the website will suggest to customers the additional product to add in order to lower the delivery costs. Similarly, it will be analysed customer satisfaction. Under

the law that regulates electronic commerce, it is necessary to distinguish the sections Business to Business and Business to Consumer.
The creation and development of the online platform will be outsourced, as well as delivery. Also we offer a department dedicated to complaints, in case of wrong shipment or in case of non-acceptance of the goods.

The dissertation aims to develop the business plan of a company (the I.F.E. s.p.a.) to set up, which will operate in the food sector. Analysing the market, we expect that there are great possibilities for business expansion in the European and world market. The products that we intend to sell are exclusively of Italian origin which are appreciated worldwide for their high quality standards. Specifically, to trade in many European countries we decided to develop a powerful platform in order to generate a sophisticated e-commerce. The choice to interact with customers only through the electronic platform, it is made for various reasons. First of all, with an e-commerce it is possible to get and process a huge quantity of data. In this way we think that we will be able to optimize the stock management, as to minimize the inventory costs. Moreover, we want reduce as much as possible the possibility to have negative cash flow, hence, with an e-commerce we have the chance to be paid upfront with the credit card system. Regarding the delivery costs, we decided to outsource the service, relying with experts in the transportation sector, who will help us in the initial stages of the business.
Currently does not exist a leader company competitive to our business. We face a segmented market with many different competitors. For this reason, we believe that customers will appreciate our service because they will have a single platform to buy online their favourite Italian products. We could distinguish our competitors in companies that operate in foreign countries, which import Italian products and resell them to local customers, and Italian companies that export part of their production to the European market. The I.F.E. s.p.a.'s goal is to quickly become the leader in this field, taking advantage of a significant advertising campaign. We intend to finance

our presence in the most important food fairs in the world, in order to gain other companies and make them loyal customers. In order to do that, initially we will set the selling price of each product a bit lower with respect to market prices. We want to contain the costs of the service within a level that would allow us to practice the lowest price possible, in order to be very competitive. Again, our greatest challenge will be the capacity to charge a convenient price for our customers, considering that the shipment costs will fall entirely on our customers, and the nature of treated product make them very sensitive to temperatures shocks. Therefore, the necessity of the appropriate packaging makes the shipment costs highly volatile. This aspect represents one of the major risks for the profitability of the business.

We have developed a matrix of nine possible scenarios, including different levels of effectiveness of our marketing strategy. We built the full matrix to better respond to different sales volumes; for each scenario is assumed a different number of loyal customers. We always want to be able to offer a great service, and that is why we have drawn nine economic and financial environments. However, given the growth forecast estimates for the food European market, for each scenario we assumed that our sales volume will increase yearly, by 30%. Therefore, we created the income statement, the balance sheet and the cash flow statement for every scenario in the first five years of operations for each scenario, in order to have the complete picture of the possible evolutions of the business activity.

In the baseline model, we assumed for the first year sales revenue for € 225.000. The net income for the first year is positive (€ 3.250) and it reaches almost € 50.000 in the fifth year. All the profitability ratios increase rapidly in the five years, for instance the Return on Equity (ROE) in the first year is about 3% and becomes about 30% in the last year attesting the good enterprise's health in the most likely scenario. The Return on Assets (ROA) is about 1,75% in the first year, and it increases every year reaching the 14,06% in the fifth year. In the baseline scenario the profitability is strictly positive, even the ratio EBIT on Sales it is increasing over the years and reaches the 15,18% in the fifth year.

For the nature of the company, days sales outstanding it is equal to zero because we do not accumulate accounts payable, letting our customers pay by credit card on our website.

The efficiency ratio Days payable outstanding (DPO) is on average about 68, therefore the company takes almost two months to pay the suppliers. Considering the last two ratios, we can assert that we do always guarantee to the company a very positive cash flow.

The ratio Net Financial Obligation over Equity, it is negative for all five years. The negativity of the index is given by its numerator (NFO); in fact, we always report greater financial assets with respect to financial liabilities for the baseline scenario.

The last two ratios that we want to present are particularly important because they are related to the financial covenant that we intend to stipulate with the financial institution. In fact, we considered to apply for a loan of € 50.000 to fund the business, payable with annual tranches of € 5000, and a forecasted annual interest rate of seven percent. Hence, to pay a relatively low interest rate, we undertake a loan covenant in order to enhance our debt rating. The loan covenant establishes two thresholds on the values of two ratios (EBITA over Net Financial Obligations, and Net Income over EBITDA) that the company is committed to comply. In case the company fails to respect these two benchmarks, the bank will initiate a procedure of interest rate renegotiation, and it will impose limitations on the profits distribution, as explained in subsection 2.7.8.

As mentioned, we proposed the elaboration of other 8 scenarios in order to give a full picture of the possible outcomes of the business' performance. In section 2.7, we showed a financial forecast for all the scenarios, whether the company will operate in a "good" or "bad" state of the world. Therefore, to maximize the performances in each state of the world, the company forecast an intervention on total expenses, specially operating on staff adjustment, in relation to the sales volumes that the company will face.

Finally, the company, based on the studies and research carried out and the results of this business plan, believes that the business idea is fully realizable and that promotes the achievement of a high profitability in the short term, in a financial stability prospective.

The major risk for the company is given by the possibility that the marketing strategy fails to reach enough potential customers. In order to better address this possibility, we have developed 9 scenarios, and in all of them we assumed a different level of potential customers. Nevertheless, we expect our project to be feasible. As evidenced by the level of revenues in the multiple pessimistic and optimistic scenarios elaborated.

Therefore, we believe that, given the highlighted data, the company can easily cope with the mortgage needed from bank institution, succeeding in the first years of business to be profitable for shareholders.