BUSINESS PLAN

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EXECUTIVE SUMMARY

The global modular construction market is expected to grow from $112.42 billion in 2018 to $157.19 billion by 2023, at a Compound Annual Growth Rate (CAGR) of 6.9%. The market value of prefabricated 1+2 family housing is expected to grow at 6% per annum.

The light gauge steel framing market size is expected to total $43.65 billion by 2025, growing at a CAGR of 4.7%

The global market size for Structural Insulated Panels was valued at $423.6 million, and it's expected to grow at a CAGR of 6.1%

The market value for modular construction in new real-estate construction has the potential to reach $130 billion in the US and European regions by 2030.

Construction across all of Europe has been on the rise, supported by low-interest rates and stable economic growth. The UK, Germany, France, and Italy as the countries that are accounting for more than half of Europe's total construction output.

The modular construction market is segmented by type of material used in production, by type of construction, by type of product, by application and by geographical region.

The residential modular construction segment is expected to amass the most revenue, mainly due to the rising expendable income levels and increasing home-renovation projects Also, bathroom pods are projected to account for the largest share in this segment mainly due to the extensive use of bathroom pods in the healthcare sector

Two key target demographics are identified as ideal customers – elderly people over 65 years, and young adults – Millennials, aged between 25 and 49.

The DACH region (Germany, Austria, and Switzerland) competition indicates that these companies are employing between 500 and a couple of thousand workers, and have earned a couple of hundred euros in revenues. Their main target markets are Germany, Austria and Switzerland, and some extend their products to other countries such as Poland, the UK, and the Scandinavian region.

X is a modular construction company that provides modular constructions. The Company's products will be produced in its factory, in series, regardless of the weather conditions as

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volumetric modules are ready for use and assembly on site. The Company will build modules based on steel frames using high quality and high-performance materials.

X's offering and pricing are as follows:

- Steel structures and parts of the steel structures based on light gauge steel - 1.3 €/kg.
- 2D Panels: SIP (structural insulated panels) - 15 € per square meter.
- 3D Volumetric modular buildings - 500 € per square meter.

X's organizational structure will maintain a traditional structure with the General Manager - Ciprian Petrule being the Company's forefront. The other sectors (positions) that will be incorporated within the Company, are the Production sector, Design, Finances, Marketing & Sales. Each of these departments will be led by a manager.

Entering the market X's strengths include:

- Already established supplier network.
- Availability of sizeable initial capital.
- The Founder has an extended experience in contemporary construction and its systems.
- Using high performance and quality materials in the production process
- Land for the factory has already been acquired.
- X's team is in the know of all necessary equipment and technology for starting production.
- The Company has already several offers from technology suppliers.

The financial modeling indicates that X's Net Profit in the first year of operations will equate to 586,854€. The net profit for the remaining two years of the projected period will amass to 1,255,014€ and 2,305,823€ respectively.

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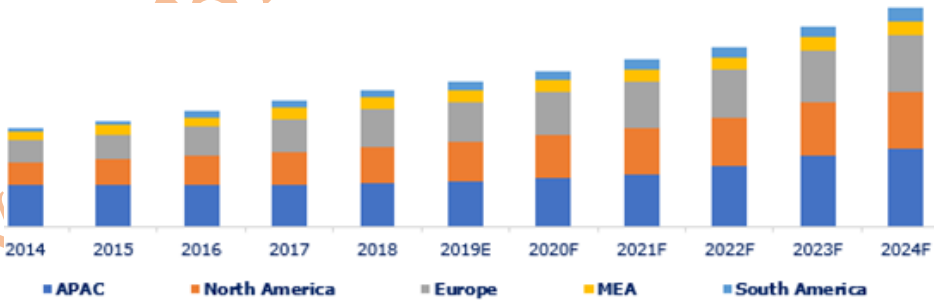
EXTERNAL ANALYSIS

This part of the document represents an analysis that overviews the external influences that have a potential impact on the Company's operations. It also expands upon the modular construction and the construction industry and the market. Furthermore, it includes a competition overview, as well as a governmental/legal segment (specific for housing and construction in Romania) that may or may not provide opportunities for the X's business.

MARKET OVERVIEW

As the modular construction is a sub-category within the construction landscape, it's beneficial to learn the details surrounding the general construction sector. The global modular construction market is expected to grow from $112.42 billion in 2018 to $157.19 billion by 2023, at a Compound Annual Growth Rate (CAGR) of 6.9%, as predicted in Research and Markets' report. Furthermore, the market value for modular construction in newer real-estate construction alone could account for up to $130 billion in Europe and the USA by 2030. This is pointed out in McKinsey & Company's report - Modular construction: From projects to products.

TechSci Research – a market research company, in a report showcases the size of the global modular construction market. In the provided chart, it can be seen that the European modular construction market is considered to be one of the top three largest global markets. The market is also expected to grow in the coming years.



One of the modular construction's main trademarks is prefabrication – the practice of assembling components of a structure in a factory, instead of on-site construction. The prefabrication industry as per a 2018 Roland Berger study, is expected to grow at 6% per annum between 2017 and 2022 in Central and Northern Europe due to favorable pricing trends (e.g. shift towards more expensive turnkey solutions and increasing wage levels).

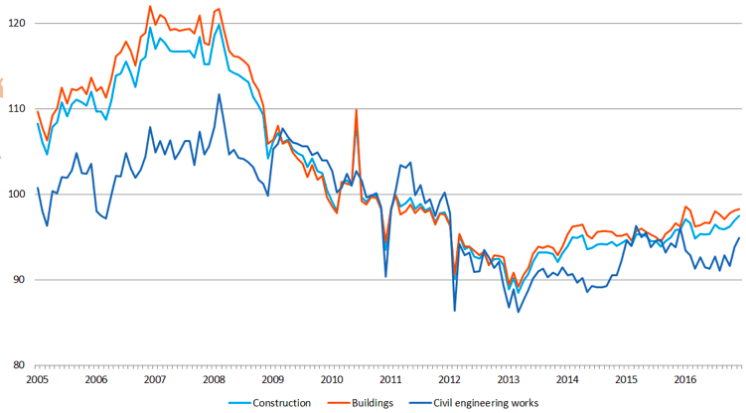
DEMAND

Seen as the three products detailed in the pages above have their main application in construction, this section of the document provides insights into related areas such as:

- Europe's construction landscape,
- Projections,
- Expectations, opportunities and threats for construction (including modular construction) to properly round up the external analysis.

Construction across all of Europe has been on the rise, supported by low-interest rates and stable economic growth, as stated in PR Newswire's report. The report informs that the European construction industry is expected to experience growth of a CAGR of 4.4%, reaching a valuation of $2,778.3 billion by 2023. Europe's residential construction industry increased at a CAGR of 3.8%. The commercial building construction market is expected to reach a CAGR of 3.6% within the projected period from 2014 to 2023. Overall, the infrastructure construction was estimated to be $604.1 billion in 2018, posting a CAGR of 1.7%.

A graphical representation of Europe's construction landscape is provided by the Building Radar – an information services provider for the construction industry. In their post, the chart they provided is indicative of the trend of the increase in construction and buildings in the European region in each coming year.



In addition to the chart above, more insights on the European construction landscape are made available by the latest finding published in the report (page 21) by the Architects' Council of Europe.

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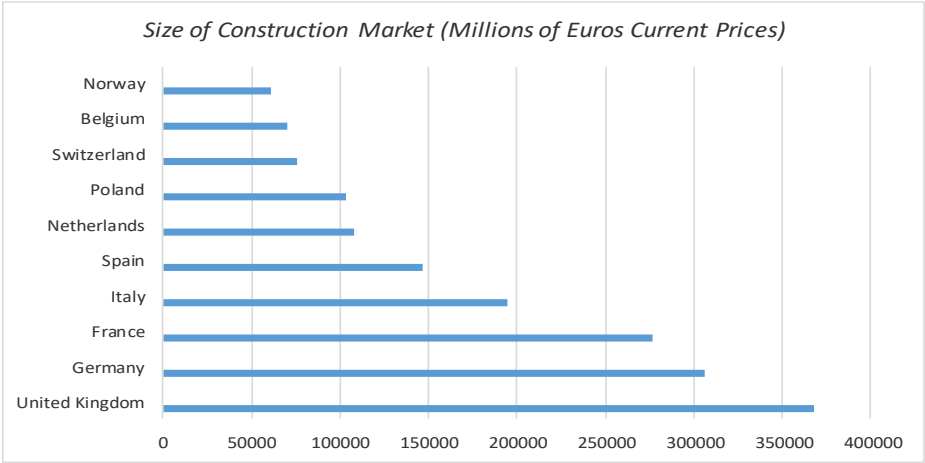
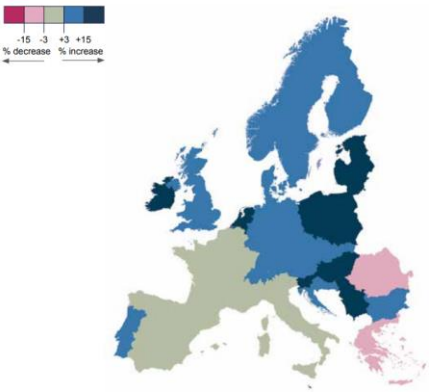


The report identifies four countries, the UK, Germany, France, and Italy as the countries that are accounting for more than half of Europe's total construction output. Other countries with more significant construction impacts are Spain, the Netherlands, and Poland.

The most notable changes in construction output, which represents a relevant indicator to the potential for construction projects, are seen in Europe's Nordic and Eastern countries.



The countries with the largest decrease in construction output are Greece and Romania. On the other hand, the most significant increase and the fastest growth was recorded in Poland.

MARKET SEGMENTATION

The modular construction market can be segmented in multiple ways. As a showcase of the types of segmentation, the segmentation chart provided by Market Research Future's report is used.

Modular Construction Market Segmentation

By Material – Steel, Concrete, Wood, Plastic.

By Construction – Modular Permanent, Modular Relocatable.

By Product – Walls, Roofs & Floors, Columns & Beams.

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By Application – Commercial, Residential, Infrastructure.

By Region – North America, Europe, APAC, Rest of the World.

According to a report published by the news distribution network – GlobeNewswire, in the product segment, Panel Systems accounted for 33.21% of the market share in 2016. Panel Systems are expected to undergo the highest CAGR in the forecasted period between 2017 and 2023.

In the application segment, the commercial modular construction accounted for a large market share in 2016, with a value of $36,083.2 million. On the other hand, the residential modular construction segment is expected to amass the most revenue, mainly due to the rising expendable income levels and increasing home-renovation projects.

Within the Module Type (or products) segment, bathroom pods are projected to account for the largest share in this segment, mainly due to the extensive use of bathroom pods in the healthcare sector. The bathroom pods module segment is expected to grow at CAGR of 5.54% until 2023, as its use continues to grow in the construction, hotel, residential and military landscapes.

In the following section, a closer look into the market and the potential demand for the modular construction products Xwill provide will be taken. These products include Light Gauge Steel Frameworks, Structural Insulated Panels, and 3D Volumetric Modular Buildings.

LIGHT GAUGE STEEL FRAMEWORKS

Due to the light gauge steel's highly-beneficial properties such as affordability, durability, size, sustainability, and weight, these construction components are rightfully increasing in demand. Moreover, they are produced in a lesser amount of time in comparison to concrete or wooden support materials, which drives up the need for this type of construction component.

To understand the scope of their demand, application, and sectors using them the most, a deeper dive into the light gauge steel market and the industry is performed. According to Research and Market's report, the light gauge steel framing market size is expected to total $43.65 billion by 2025, growing at a CAGR of 4.7%. The major factors for this growth are the need to lower production costs surrounding building construction.

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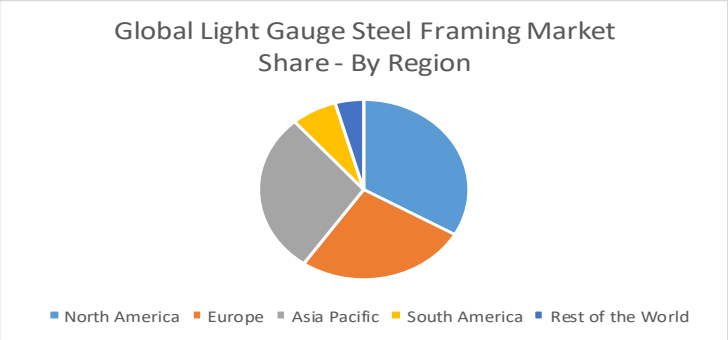
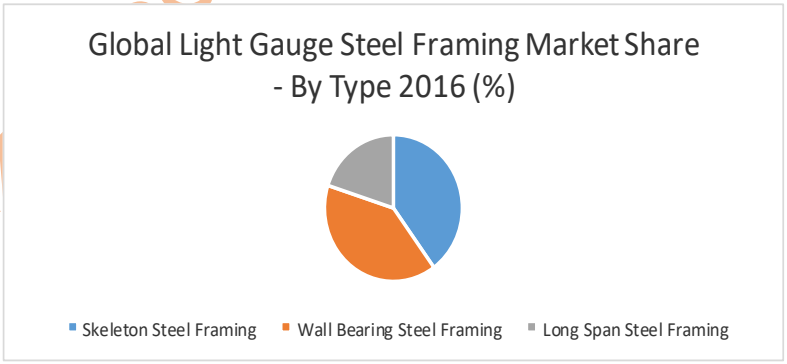
Three regions, in particular, are responsible for the largest market share. Based on the information provided by the Market Research Company DataM Intelligence's report, North America, Europe, and the Asia Pacific regions are the ones with the largest market shares.



Other promising sectors fueling the demand for steel framing, are the Business process outsourcing, (BPO) the need for infrastructure in rapidly growing telecommunications and call centre landscapes, according to Cole Reports' industry report.

However, the Building and Construction application accounts for more than 50% of the global market for steel, and a large proportion of the steel used in building and construction is attributed to the steel framing market. Therefore, this market is the one with the highest potential for light gauge steel frameworks, according to Transparency Market Research's report.

According to the Market Research's report, the type of light gauge steel framing dominating the market is the classic design (wall bearing steel framing). This type of structure is expected to be replaced by more contemporary eco-friendly designs over the next eight years.



SIP (STRUCTURAL INSULATED PANELS)

One of the steel SIP panels' major benefits in residential projects (for owners and builders) is emphasized by providing exterior envelopes - design and construction of the exterior of the house. These panels are up to 15 times more airtight than traditional construction. They act as noise barriers, are energy efficient (high resistance to heat and cold temperatures),

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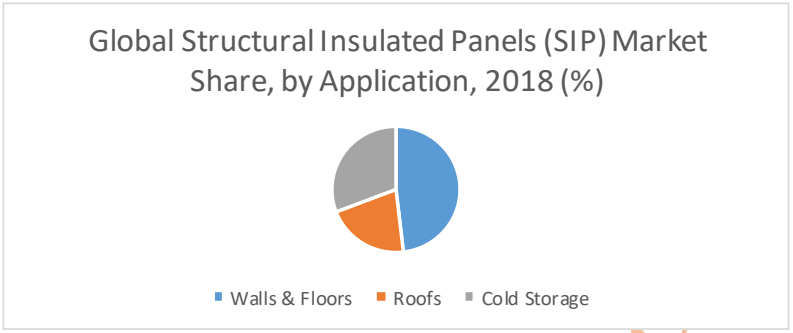
and are environmentally-friendly. These are some of the features that make these professional building materials highly demanded on the market.



Looking at the data available on Grand View Research's report on Structural Insulated Panels, the global market size in 2018 was valued at $423.6 million, and it's expected to grow at a CAGR of 6.1% for the projected period between 2019 and 2025.

Due to the previously-mentioned properties, SIPs are seeing the highest application in these three sectors; Walls and Floors (close to 50%), Cold Storages (30.7%), and Roofs (a bit over 20% market share).

The drivers affecting the demand for SIPs are the renovation projects for residential structures, on account of improving the living standards. The development of commercial and residential roofing systems also adds up to the SIPs demand. Also, the increasing consumption of processed and packaged foodstuff represents another driver for the need for cold storages (made out of SIPs).

The data regarding the regions indicates that the US and Canada are the western hemisphere's largest consumers of SIPs. The US has a dominating position on the market, with a market share of over 35%, mainly due to the rising construction activities in Canada and Mexico.

Investments for foreign multinationals and the increasing construction activities will enhance Asia Pacific's SIP market's growth.

In Europe, the increasing penetration of SIP's in western countries will be the most significant factor impacting the market's growth. The European countries are abiding by strict regulations to reduce and reverse the harmful impact of construction materials on the environment. A valid solution to this issue are SIPs. Their eco-friendly (and recyclable) properties will drive the demand in construction as well as in the cold storage industry.

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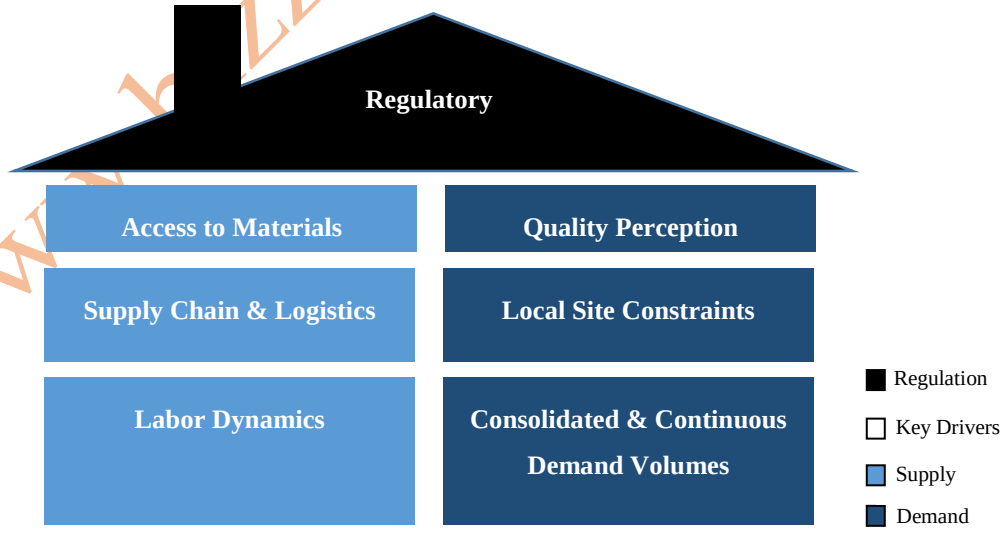
Two European countries are prone to regularly using this product in their projects, Germany and the UK. The consumer's highly-developed environmental consciousness and their ability to spend more money to procure this material, are deemed as two relevant drivers increasing the demand for SIPs.

Apart from the drivers for the demand of SIPs, it is vital to learn the direction or the trends of the SIP segment to achieve better positioning on the market. A recent study was conducted on 608 qualified respondents (architects, engineers, contractors, construction managers, steel fabricators, and modular builders). The study published by the building institute Modular, states that within the Panelized Modular Construction landscape – the most used type of modules were the Wall modules. The study deduced that design firms are using panelized modular construction the most. Furthermore, trade contractors displayed the highest potential for future growth in the segment.

3D VOLUMETRIC MODULAR BUILDINGS

Shifting numerous aspects of traditional on-site building activities away to offsite production has gained much traction in recent times. The positive and innovative developments in the global economy and technology landscapes provided a plethora of opportunities for the construction and real estate sectors to cut costs, via the implementation of modular construction.



McKinsey & Company's 2019 report enlists some of the benefits of modular construction, which includes shortening the project timelines of construction projects between 20% and

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50%. Additionally, this type of construction offers over 20% in construction savings when compared to traditional construction. Few other benefits, such as the reduction of waste materials, construction safety and predictability, assembly-line quality control, and reduced strain on-site neighbourhood, are emphasized in the report by the civil engineering company WSP.

Powered by these and other benefits provided by modular construction, the market value for modular construction in new real-estate construction has the potential to reach $130 billion in the US and European regions by 2030.

For the market to experience any growth, the modular construction practice has to be adopted at first, used, and then implemented. The report managed to identify seven factors that determine the attractiveness of a given market for modular construction.

The two most relevant factors are the Labor Dynamics and the Consolidated and Continuous Demand. A limited supply of skilled labor, which in turn increases costs and wages, is the ideal situation for the implementation of modular construction. Furthermore, the markets that are facing construction (housing) shortages are the other pillar driving the demand for modular construction.

Referring to another Grand View Market Research report, the type of modular construction that overshadowed the traditional construction method over the past decade, was the Permanent modular construction. Just in 2018, this segment occupied the largest share of 64.6% on account of the growing demand for permanent housing, commercial and industrial structures.

Apart from Permanent modular constructions, Relocatable modular structures are also widely used by end-users such as Governments, industrial corporations, school boards, and healthcare providers.

Although as described in the previous paragraph, modular construction has a plethora of applications; however, the one occupying the largest market share, is the Residential modular construction. This sector alone is expected to grow at a CAGR of 6.9% between 2019 and 2025. In the report, this type of modular construction is the leading segment in the UK, projected to grow at a CAGR of 7.2%.

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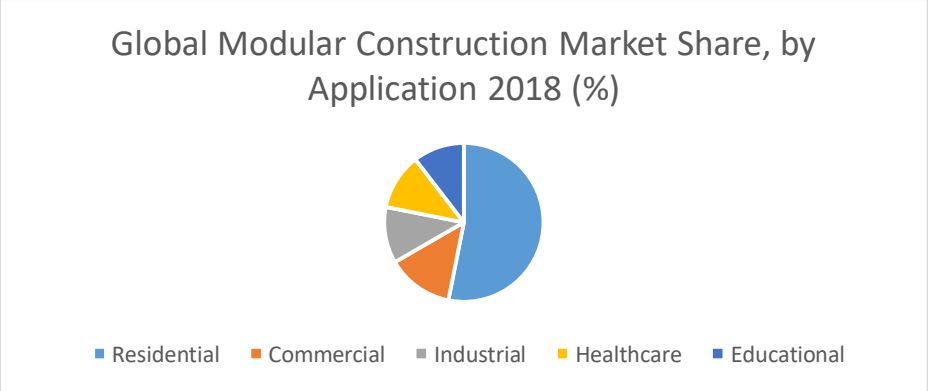

Coming in second place is the Commercial application sector, which is driven by demand for office spaces, showrooms, and hotels.

On a regional level, the European region accounted for the second-largest market. In 2018 the high penetration of modular construction in developed countries such as Germany, Finland, the UK, and Sweden. Another potential driver for the growth of the market in Europe stated in the report, is the rising influx of migrants necessitating a housing solution via a temporary or a permanent dwelling. In the UK, fueling the demand for Residential modular construction is the UK's Government's plan to improve the country's construction sector by establishing 300,000 residential houses per year, in the next five years.

Since X's main market is Europe, the data regarding the construction and modular construction industry is narrowed down.

The section below is focused on overviewing the region's construction landscape, as well as the top four markets with the highest business potential.

Modular's study showcases the trends involving volumetric modular construction. A key finding is that volumetric modular construction is used less frequently than panelized. However, future predictions are strong:

- Over a third of the design firms (36%) forecast significant involvement (25% or more of their projects) with full volumetric modular construction over the next three years.
- 24% of the General Contractors and Construction Managers involved in the study expressed their commitment to using full volumetric construction on half or more of their upcoming projects.

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- The expected segment to reach the highest amount of users of volumetric modular construction is the Trade Contractors.

TARGET MARKET

There numerous types of end-users that can be targeted for modular construction products. Market targets based on age, relationship status, level of income, geographic location, and level of environmental awareness, among others.

The following market segments are analyzed through the age perspective.

A blogpost by the real-estate company UMH Properties points towards an **elderly target group**, as an ideal target for modular homes. This elderly population is also known as Downsizers**.**

Downsizers are people that have already retired and are looking to spend their years in a quiet community. They have grown tired of constant repairs and home-upkeep. They also dislike living in homes with stairs. Assuming that people **aged 65 and over** are already enjoying their retirement, in Europe, the percentage of older people amounts to 19.2% of the total population according to Eurostat's statistics.

Another important target group is the people that are between the ages of **25 and 49**. In a report, Eurostat identified that around a third of the European population belongs in this age group. According to data provided by Eurostat, more than half (55.3%) of Europe's population aged 20 and over are likely to be married. The assumption is that the newly wedded couples are seeking to buy a home in which they will form and grow their family.

Persons in the 25 to 49 age bracket are also categorized as members of the **millennial generation**. Millennials still face significant challenges when it comes to housing affordability. A study by the financial services company HSBC shows that 69% of those intending to buy a home have not yet saved enough for a deposit. Moreover, 34% are being held back because they cannot afford the type of property they would like.

The financial discrepancy is the main obstacle hindering Millennials from becoming homeowners. Globally, nearly half of all Millennials aspire to purchase their own house, as stated in Deloitte's millennial study.

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Based on the real estate advisory Hickey & Associates' report, the Eastern European region has the largest concentration of Millennials that are still living with their parents. These countries represent the part of the market where the end consumers are the Millennials seeking to own a home, thus providing an opportunity for modular construction.

FIG. 23: PERCENTAGE OF EUROPEANS 18-34 YEARS OLD LIVING WITH THEIR PARENTS

According to Eurostat's data, in 2017, approximately 102 million Millennials were living in the EU, or roughly 20% of the population.

The average annual income of Europe's millennial generation according to the latest available statistics provided by Eurostat is 15,320€.

Romania is known as the European country with the largest percentage of homeownership (96%). Despite the high homeownership rates, more than a third of Romania's housing is also in disrepair, with structural issues, heating problems, and little protection against earthquakes. This represents another opportunity to laminate the gap by providing affordable modular homes.

46% of the country's entire population is aged between 25 and 54 (about 8.8 million people) and can be (broadly) considered as (a part of) the millennial generation.

Within Romania's millennial generation, the persons that bought their first property did so after their 30's, according to data from ING study.

Furthermore, the study shows the two most common alternatives for Romanian millennials when moving out of their childhood homes. They involve either renting a living space or purchasing a place with their partner.

This points towards another potential market for X– millennial couples.

Few sources such as MH Village, Manufactured homes and Newby Management – point towards a couple of key reasons why Millennials are purchasing modular homes:

- **They are energy-efficient and eco-friendly.** Millennials are an environmentally-conscious group, and this carries over into their housing preferences. Fortunately, manufactured housing is far and away more sustainable than new construction, efficiently helping to reduce a person's carbon footprint.

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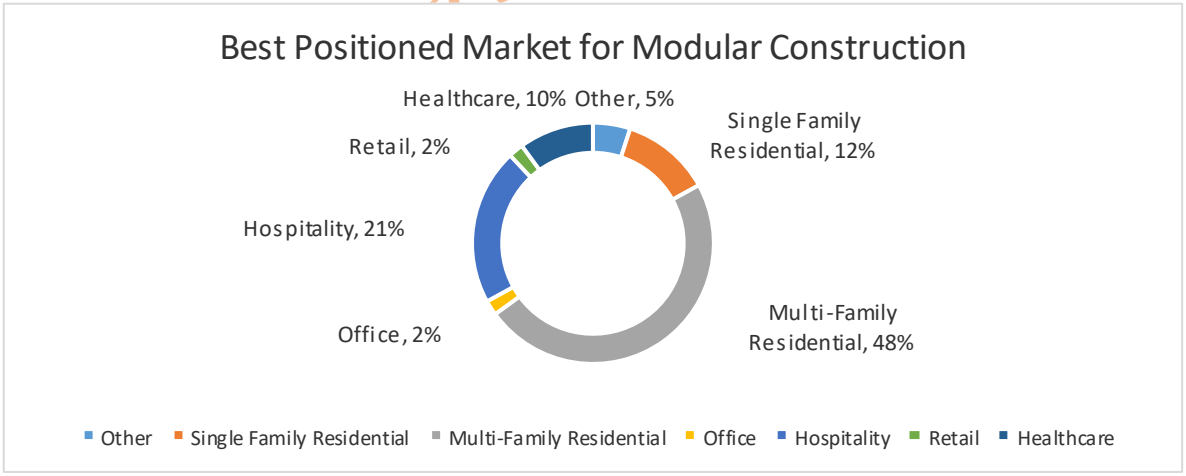
- **Affordable and easily customizable**. The addition of extra rooms, doors, and walls without overloading the Millennials' budget.
- **Durability**. Modular homes are structurally equipped to endure strong winds or heavy snowfall, due to upgrades to construction methods and materials.
- **Millennials aren't interested in the American dream**. Owning a home that has a four-bedroom, two-bathroom, two-car garage with a pool and a place for the dog to run.

  For the Millennial, the American dream is a wide-open road with plenty of options and variances. This means that they see the potential in living in a manufactured home.
- **Millennials are looking to live in smaller homes**. They are not as concerned with large houses, often looking to purchase homes with less than 83 m^2.

The construction company Skender in a 2019 report on modular construction, identified the Multi-Family Residential, Hospitality, and Single Family Residential as the sectors with the most modular projects. At the same time, these sectors represent the ideal markets to address. The report illustrates the best-positioned markets for modular construction through the following chart.



The increase in density in urban areas and access to affordable housing are the two main factors that are fueling the growth of modular construction in the family residential landscape.

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ADVANTAGES OF MODULAR HOMES

Modular construction offers numerous benefits for customers, such as reduced costs, consistent, high-quality, and time savings. A flipbook provided by the Modular Building Institute provides insights into the other modular construction benefits affecting the demand for such constructions:

- **Procurement.** Increasing the ability to collaborate and maintaining a single point of responsibility
- **Design Process.** A broad spectrum of benefits that increase collaboration and flexibility, which are ideal for design-build project delivery.
- **Construction Schedule.** Reduction of construction time up to 50%.
- **Financial – Cost Control.** Lowering of hard costs, soft costs, financing costs, out-of-service costs, and providing a faster return on investments.
- **Craft – Quality.** A factory setting enables the improvement of the overall building craft, increasing the project's quality.
- **Factory Efficiency.** The employed methods of production reduce task execution time.
- **Disturbance.** Modular construction minimizes the disruptions to residents and other adjacent buildings while increasing site cleanliness. Modular construction takes a lot of the mess and noise behind the factory production doors. This inherently is an advantage over other construction projects that are highly controversial or have issues with difficult neighbors.
- **Technology.** Enhancing the ability to manufacture components with a higher degree of technical complexity.

Dodge Data & Analytics - an American leading provider of analytics, in a 2020 report point out four significant benefits gained from the use of prefabricated or modular constructions. These benefits include:

- Improvement of project schedule performance
- Decreases in construction costs

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- Improvement in the project's overall quality and safety
- Represents a useful tool in tackling skilled labor shortages

OPPORTUNITIES FOR MODULAR CONSTRUCTION

This section showcases information regarding the four largest European particular modular construction markets, the UK, Germany, France, and Italy. The information provided portrays the opportunities in each market.

THE UK

The number of enterprises in the UK broad construction sector equated to 449,775 in 2016, representing a 7.3% increase over the 2010-2016 period. This growth is mainly attributed to the 32% increase in the number of architectural and engineering companies

The production in construction has been on the rise, growing by 11.3% in 2016 form 2010.

To tackle the challenges of housing shortages, the UK's Government intends to deliver a total of 400,000 affordable housing units by 2020-21.

The UK also represents a leader in energy efficiency, with the accent placed on residential building renovations. The renovation spending equated a total of 1.6 billion euros in 2016. This furthers the potential need for energy-saving and eco-friendly renovation solutions for the Britons.

Lastly, the UK's construction sectors lack in skilled labor, which dents the ability to deliver planned housing units and ambitious infrastructural projects.

GERMANY

Germany's broad construction sector in 2014 accounted for 650,813 construction enterprises, most of the micro, small, and medium. In the period between 2010 and 2016, the production in construction registered an overall growth of 10.4%. The increase in the construction of buildings stood at 8.5%.

The increasing incomes and ability to spend more is a significant driver on the German housing market. Another driver is the 3.6 million migrants who are expected to arrive in Germany until 2020. Furthermore, there's the current annual demand of 350,000 dwellings which needs to be met.

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The investments in the construction are another indicator of the thriving construction in Germany. The accumulated investments in construction increased by 9.5% in the observed period from 2008 to 2015.

One avid political initiative to de-carbonize the economy is setting a comprehensive regulatory and policy framework. This resulted in over 4.6 million dwellings being either refurbished (in energy-efficient fashion) or constructed from the ground up. This occurred in the period between 2006 and 2016.

FRANCE

The economic crisis impacted France's construction sector in a 12.9% drop in production in construction over 2010-2016, with production in the construction of buildings dropping by 13.9%. However, the sector's profitability has increased with a turnover equating to 446.6 billion euros in 2016, 6.4% - above 2010 levels. Additionally, the number of construction companies has also been on the rise

Between 2010 and 2016 there have been a total of 836,617 construction companies. The recorded growth rate in this sector was 19.6%.

Despite the 418,900 dwellings that began construction in 2017, the country's homeownership rates are some of the EU's lowest – more than 1.7 million people are on the social housing waiting list. As a response, a total of 210 billion euros were dedicated to revitalizing the country's construction sector.

Aided by Governmental plans to revive the construction industry, as well as the financial support from EU's funds, the outlook for the construction sector is positive. The growth in production is forecast at 2.5% in 2018, mainly driven by residential construction and transport infrastructure.

ITALY

The construction sector represents a fundamental pillar of Italy's economy, as its gross value attributed to a total of 18.7% of the country's GDP. The construction sector is an essential pillar of the country's economy. However, in the period between 2010 and 2016, a total of 8.9% of construction companies have ceased to exist. Construction production has declined and fell by 32.2% in the observed period. Italy's housing market, however, since

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2014 has been slowly recovering. The number of sale transactions increasing by 16.3% from 444,636 in 2015 to 517,164 in 2016. This is spurred by low-interest rates (2.4% compared to 3.6% in 2010) and improved mortgage lending to households.

After a period of sustained decline, during the next years, there will be a modest recovery in the construction sector, mainly led by investment in infrastructure and by EU funds.

COMPETITION OVERVIEW

Prefabricated construction involves a variety of structures. One of the more popular segment includes modular construction. With the information gathered from multiple reports, modular construction competitors are provided in the following spaces.

The competitor analysis below encompasses a total of 9 competitors. These nine competitors were selected by their main modular construction product, whether it's a modular building, a steel frame, or a SIP.

With that in mind, the first three competitors (ALHO Systembau GmbH, Fertighaus Holding AG, and Premier Modular) are the competitors that manufacture modular buildings.

The following three competitors (FRAME FACTORY, DMDmodular, and Metek) are companies operating within the modular steel frame landscape.

Lastly, the three remaining competitors (Hemsec Manufacturing Ltd., SIPEUROPE, and Clays) are organizations providing structural insulated panels on the market.

Below are the details of each competitor.

ALHO Systembau GmbH provides modular and container construction solutions to customers and clients in Germany. The Company offers solutions to industry trade and service providers, public contracting authorities, administrative units and associations, health care properties, and office buildings.

Company Size: More than 1,000 employees.

Company Revenue: 230 € million in 2018.

Market: Europe

Specific Market Segment: Workspace, Education, Healthcare, and Residential.

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Unique Selling Point: 70% shorter construction time and completed on schedule through serial production not affected by the weather.

Fertighaus Holding AG is the largest prefabricated house company in Germany and a pioneer in sustainable house construction.

Company Size: 1,300 employees

Company Revenue: 598 € million in 2018

Market: Germany

Specific Market Segment: Homes

Unique Selling Point: Coordination and optimized control of all processes, taking advantage of economies of scale, maximizing quality, and minimizing cost.

Premier Modular is the largest prefabricated house company in Germany and a pioneer in sustainable house construction.

Company Size: Between 51 and 200 employees

Company Revenue: £72 million in 2018.

Market: United Kingdom

Specific Market Segment: Living Accommodation, Commercial & Industrial, Construction, Education, Healthcare, Marketing Suites, Retail

Unique Selling Point: Temporary contracts are available from a few months to several years.

FRAME FACTORY is the biggest one in Poland and Central Europe manufacturer of complete solutions for steel structure building system with using FrameCad machines. Frame Factory's strategic idea is to spread professional and practical solutions to improve the processes of design, production, and installation of light steel structure buildings.

Company Size: Between 11 and 50 employees

Company Revenue: /

Market: Poland and Central Europe

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Specific Market Segment: Houses, Warehouses, Shopping Facilities, Internal Space Construction System

Unique Selling Point: Eco-friendly light steel structures, low energy-dependent production, 100% recyclable products. They organize courses and provide technical documentation to construction companies which are willing to build in the system of light steel frame

DMDmodular features advanced offsite building methods offering turnkey products in a fast–track modular and construction solution, which offers minimal disruption to the surrounding facilities operation.

Company Size: Between 51 and 200 employees

Company Revenue: /

Market: Germany, Austria, Holland, United Kingdom & the United States.

Specific Market Segment: Hotels, Smart Homes, Healthcare Facilities, Student Accommodation, Spas

Unique Selling Point: The degree of prefabrication, before the delivery to the location, often reaches the level of 90% and time reduction is by up to 70%.

Metek is a UK-based leader in light steel construction, design, manufacturing, and site installation. The company operates in many construction sectors, including residential, commercial, health, education, student accommodation, and leisure.

Company Size: Between 51 and 200 employees

Company Revenue: £15 million in 2017.

Market: United Kingdom

Specific Market Segment: Commercial, Healthcare, Education, Student Accommodation, Hotel & Leisure, Residential

Unique Selling Point: Metek strives to achieve the highest standard of sustainability in terms of energy efficiency, a low carbon footprint, lightweight construction, efficient materials use, zero wastage, zero pollution, and minimum disruption on-site, all based on best construction practice.

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Hemsec Manufacturing Ltd is amongst the top composite insulated panel manufacturers in the industry. Its focus in construction is on the high volume and high-quality supply of SIPs

Company Size: Between 51 and 200 employees

Company Revenue: /

Market: United Kingdom

Specific Market Segment: Food, Pharmaceuticals, Construction

Unique Selling Point: Creating trusted partnerships with customers, supplying them with the best quality insulated panels, whilst keeping excellent delivery times.

SIPEUROPE is a Slovak producer of SIP's universal building system with direct representation in five EU member states and Norway.

Company Size: /

Company Revenue: /

Market: Norway, the Netherlands, Slovakia, Czech Republic, Austria, Germany

Specific Market Segment: Outer Walls, Inner Partitions, Floors and Stairs, Roofs

Unique Selling Point: They provide training, education design managers and consultants to aid in their client's projects

SIPS@Clays has worked on a diverse range of projects all over the UK, from self-build homes to office blocks, from extensions through to large outdoor pursuit centers. They manufacture and offer SIPs.

Company Size: /

Company Revenue: /

Market: United Kingdom

Specific Market Segment: Houses, Offices, Barns, Bungalows

Unique Selling Point: Extensive construction experience. CAD designers that keep a smooth design and fabrication process, dedicated supporting team of shop floor staff.

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Competition Conclusion: Most of the competitors (4) are medium-sized companies employing between 50 and 200 people and are mainly serving Central and Nordic European countries such as Germany, Austria, Switzerland, the UK, the Netherlands, Poland, the Czech Republic, and so on.

The market segments using the products in each category (modular buildings, steel frames, or SIPs), encompass the residential housing, commercial and industrial space, retail, healthcare, education, hotels and leisure, construction, food, and pharmaceuticals to name a few.

Eco-friendliness, recyclability, and reduction of construction time are the main points that are emphasized by the competitors in their offering.

DACH Region Competition

For the Germany-Austria-and-Switzerland region, a good source for competitor identification was the consulting group - Roland and Berger's study. The study emphasizes these manufacturers as the largest in the area:

Bien-Zenker is a designer, seller and manufacturer of prefabricated houses for residential purposes. The company specializes in prefabricated houses focusing on architectural lines, house dimensions, layout variants, and price categories.

Company Size: 565 employees

Company Revenue: 144 € million in 2016

Market: Germany, Austria, Switzerland, and others.

Specific Market Segment: Multi-family homes, detached, bungalows, and duplex.

Unique Selling Point: Acquired by Equistone in December 2017 from ADCURAM

WeberHaus GmbH & Co. KG is a German home builder of offsite manufactured houses. The Company produces prefabricated single and multi-family houses. Also, they produce wooden prefabricated commercial constructions.

Company Size: 1,140 employees

Company Revenue: 250 € million in 2017

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Market: Germany, Austria, Switzerland, United Kingdom, and others.

Specific Market Segment: /

Unique Selling Point: 2 production sites in DE

FingerHaus provides home construction. The Company offers building services, financing, real estate service, after moving, home conversions, and finger products.

Company Size: 630 employees

Company Revenue: 158 million € in 2016

Market: Germany, Austria, and Switzerland

Specific Market Segment: /

Unique Selling Point: Best prefab supplier award winner in 2017

Dan-Wood is one of Europe's largest suppliers of prefabricated turnkey homes of wood construction.

Company Size: Over 2,000 employees

Company Revenue: $258.80 million

Market: Germany, Austria, and Switzerland, United Kingdom, Poland

Specific Market Segment: Houses, Garages, and Carports

Unique Selling Point: Acquired by Enterprise Investors in 2014

Haas Fertigbau is a German manufacturer of prefabricated wood buildings.

Company Size: 1,000 employees

Company Revenue: 202 € million in 2019

Market: Germany, Austria, Switzerland, Poland, Czech Republic, Slovakia, and Italy.

Specific Market Segment: Houses, Commercial Buildings, Agricultural Construction

Unique Selling Point: Awarded as the Fairest Prefabricated House Provider, Fairest Customer Communication, Fairest Customer service, Fairest price-performance ratio, Fairest product performance, Fair customer advice, highest sustainability & responsibility.

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Schwörer Haus Schwörer Haus is a German manufacturer of prefabricated houses.

Company Size: 1,800 employees

Company Revenue: 300 million € in 2015

Market: Germany, Austria, Switzerland, United Kingdom, Scandinavia, Poland and other

Specific Market Segment: Energy-saving, wooden prefabricated houses, ready-made concrete cellars, ventilation systems, and innovative house technology through-to turnkey multi-family dwellings.

Unique Selling Point: Part of family-owned Schwörer Group

Scan Haus is one of the leading prefabricated house manufacturers in Germany.

Company Size: more than 500 employees

Company Revenue: 91 € million in 2016

Market: Germany, Austria, and Switzerland

Specific Market Segment: Bungalows, City Villas, Semi-detached houses, 1.5 Story Houses, Prefabricated cellars and garages

Unique Selling Point: Operates more than 60 show houses

LUXHAUS. Luxhaus deals with the planning and construction of individual family houses in diffusion-open wooden panel construction.

Company Size: 250 employees

Company Revenue: 72 € million in 2016

Market: Germany, Switzerland, and Austria

Specific Market Segment: Single and Multi-family homes

Unique Selling Point: Offering of plot and financing concepts

The DACH region competition indicates that these companies are employing between 500 and a couple of thousand workers, and have earned a couple of hundred euros in revenues. Their main target markets are Germany, Austria and Switzerland, and some extend their products to other countries such as Poland, the UK, and the Scandinavian region.

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GOVERNMENTAL OVERVIEW

The legislative and regulatory framework, are among the top factors which can provide profitable business opportunities, or completely shut down the operational activities of a business in a specific country or region. This part of the document overviews the more significant laws and regulations about housing and construction in the European Union, as well as Romania.

EUROPEAN REGULATIONS

Eurocodes are the European standards for the design of supporting structures, expected to contribute to the establishment and functioning of the internal market for construction products and engineering services. Eurocodes include requirements, instructions, and guidance to ensure that structures under all conditions have the desired load capacity and hence security. The Eurocode system consists of 10 mandatory standards for its Member States. These Eurocodes include:

- Eurocode 0 - DS/EN 1990 Basis of the structural design.
- Eurocode 1 - DS/EN 1991 Actions on structures.
- Eurocode 2 - DS/EN 1992 Design of concrete structures.
- Eurocode 3 - DS/EN 1993 Design of steel structures.
- Eurocode 4 - DS/EN 1994 Design of composite steel and concrete structures.
- Eurocode 5 - DS/EN 1995 Design of timber structures.
- Eurocode 6 - DS/EN 1996 Design of masonry structures Eurocode.
- Eurocode 7 - DS/EN 1997 Geotechnical design.
- Eurocode 8 - DS/EN 1998 Design of structures for earthquake resistance.
- Eurocode 9 - DS/EN 1999 Design of aluminum structures.

The Construction Products Directive (Council Directive 89/106/EEC) as a European Union Directive, aims to breakdown technical barriers in construction products between the Member States in the European Union. According to the Construction Products

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Directive, construction products suitable for construction works need to satisfy the following six essential requirements as appropriate:

- Mechanical resistance and stability.
- Safety in case of a fire.
- Hygiene, health, and the environment.
- Safety in use.
- Protection against noise.
- Energy, economy, and heat retention.

CE Marking is a declaration by the manufacturer that the product meets EU standards for health, safety, and environmental protection. CE Marking is obligatory for every product placed on the EEA (European Economic Area or the European Union, including Norway, Iceland, and Liechtenstein) market.

According to AENOR – The Spanish Association for Standardization and Certification**,** the most important **ISO standards** that companies and public organizations within the construction industry should abide by, are the following:

- ISO 9001 Quality Management Systems Certification.
- ISO 14001 Environmental Management Systems Certification
- ISO 14006 Certification on Environmental Management of design and development process, Eco-design
- ISO 22480 and 22470 Certifications about Sustainable Mining Management
- ISO 166002 Certification on R&D&I Management
- ISO 170001-1 Certification on Universal Accessibility

ROMANIAN REGULATIONS

Romania has been described as a relatively successful country in providing the housing sector with a logical system through complementary statutory and policy documents. The country's legislative system consists of:

a) Laws in three categories: constitutions, organic, and ordinary.

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b) Decrees issued by the President.

c) Government resolutions and ordinances – issued by the Government to regulate the execution of laws.

According to The United Nations Economic Commission for Europe (UNECE) the housing in the landscapes in Romania is governed by legislation in the areas set out below:

Ownership of buildings and dwellings:

- The Housing Act (Dwellings Law) 114/1996.
- Emergency Ordinance 44/1998 - the amendment of the Housing Act.
- Law 145/1999 - amendment and extension of the Housing Act.
- Emergency Ordinance 22/2000 - amendment and extension of the Housing Act.

According to the **Emergency Ordinance 200/2008** issued by the Romanian Government, the individuals (unmarried or family) may benefit from a reduced rate of VAT of 5% on the purchase of a single home. The Tax Code states that a buyer can benefit from a reduced VAT rate of 5 per cent, which they can use once if the purchased property has a price of up to RON 450,000 (under EUR 97,000) and an area of less than 120 square meters.

The Occupational Safety and Health (OSH) represent another set of relevant regulations when construction and housing come into play. This area's primary and most relevant law is Law No. 319 of 14 July 2006 on Safety and Health at Work, amended on 27 September 2010.

RELEVANT REGULATORY INSTITUTIONS AND ESTABLISHMENTS

On an international level, **The Modular Building Institute (MBI)** and the **International Code Council (ICC)** are the driving force behind efforts to accelerate the use of modular construction and eliminate barriers in the industry by developing a series of modular-themed guidelines and resources for code officials.

In Romania, **ASRO** represents the National Standardization Body. Their activities involve all the fields of European and international standardization as members of ISO, the IEC, CEN, CENELEC, and ETSI.

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For construction projects in Romania, the policy-makers are organizations that are involved in the elaboration of technical norms and regulations, such as:

- State Inspectorate for Constructions

  Its main scope is to verify and ensure the observance of the applicable urbanism regulations and the legal requirements for the quality of construction works and materials.

- Ministry of Regional Development and Public Administration

  It is mainly responsible for providing national standards in the construction domain (for example, for construction materials), and pursuing the needs for infrastructure and housing for the general population

- Ministry of Environment (National Agency for Environmental Protection)

  It promotes a unitary and coherent environmental policy. The Ministry tries to comply with the European Community laws for the environment, increasing energy efficiency as well as promoting renewable sources of energy. Additionally, they are involved in the ecological rehabilitation of the historically polluted areas or coastal erosion.

- National Association of Evaluators of Romania

  It is a professional organization of public interest, with the specific responsibility for the development of valuations methods, including methods used in the construction domain.

- Romanian Association of Construction Developers

  This is an independent professional organization established to promote the interests of the construction industry.

The following section of the document presents X's internal business analysis.

INTERNAL ANALYSIS

The internal analysis examines an organization's internal environment to assess its resources, competencies, and competitive advantages. The internal analysis emphasizes the strengths and identifies the organization’s weaknesses. The organization’s management

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equipped with this knowledge becomes fully competent to make sound strategic decision making, whilst also carrying out the strategy formulation and execution.

The X's business model, as well as the mission and vision, are the starting point for this analysis since they help in the creation of the business' image and its purpose.

BUSINESS MODEL

Xis a Romanian company that plans to produce modular construction products and buildings as an alternative to conventionally built structures targeting the European market. Modular buildings are a broad class of prefabricated buildings that consist of repeated sections called modules. "Modular" is a construction method that involves constructing units away from the building site, then delivering them to the intended area.

The Company's modular buildings will be produced in the factory, in series, regardless of the weather conditions as volumetric modules ready for use and assembly on site. The company will build the modules based on steel frames using high quality and high-performance materials.

MISSION AND VISION

Mission: To transform ideas into reality, providing high-quality turnkey buildings to our clients through creativity and quality.

Vision: To be a leading regional provider of contemporary modular buildings and steel structures, using the highest quality building solutions.

MARKETING PLAN

Every competent marketing plan or strategy begins with a marketing mix. The marketing mix expands on how businesses use a **product, price, place (distribution), and promotion** to market and sell their products. It also helps the companies further understand their product and service offering, while also representing the best way to plan for a successful product launch.

PRODUCT

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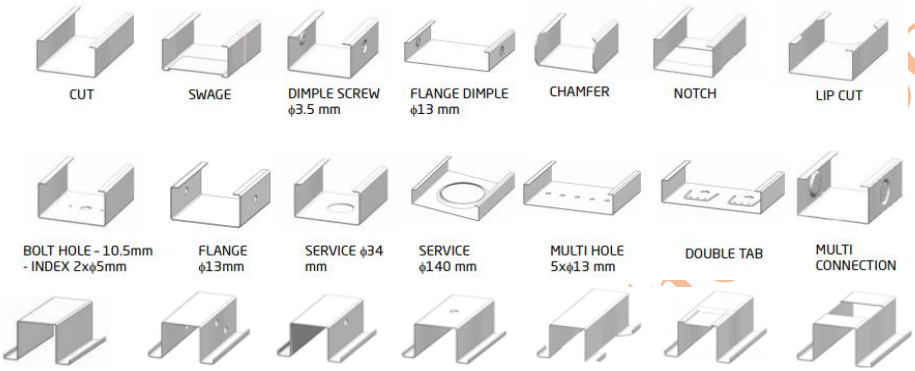
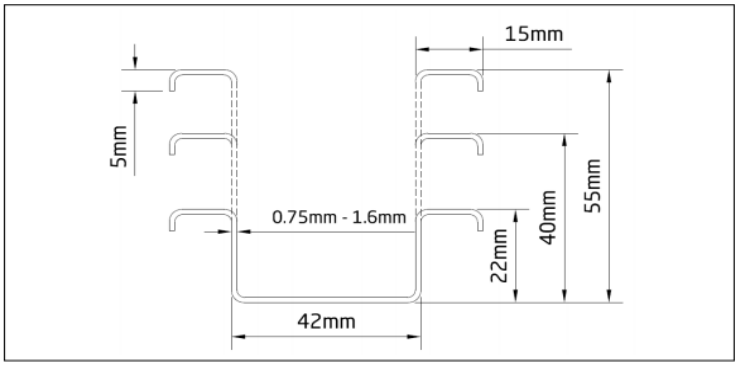
3 types of products express the offering of the Company:

1. **Steel structures and parts of the steel structures based on light gauge steel.**

The profiles that will be produced and used are the:

- C, U with 63-300mm web size, steel thickness 0.8-2.5mm.
- Omega (Top Hat) 42 mm web size, 22, 42, 55 flange sizes, steel thickness 0.75-1.6mm.





These steel structure and parts can be used as complete steel structures for building, as well as parts of the steel structures, such as lattice beams (trusses) for floors and roofs, wall panels, floor cassettes, ceiling panels, pillars (posts or columns) and trusses for industrial buildings.

The segments where the steel structures will be applied include private/individual housing, offices, retail, leisure, and the arts, industrial, health, education, and public housing landscapes.

The intended targets for these products are the general contractors and the construction companies, among others.

2. **2D Panels: SIP (structural insulated panels)**

This product is described as panels with a steel frame, and insulation into the cavity (mineral wool, cellulose fiber, polyurethane foam, wood fiber).

The SIPs can be used for walls, floors, and even roofs.

With this in mind, the private/individual housing, offices, retail, leisure, and the arts, industrial, health, education, and public housing are the intended user segments of this product line.

The ideal targets for this product line are real estate developers, general contractors, individual customers, and various construction companies.

3. **3D Volumetric modular buildings (Relocatable Buildings, Permanent Modular Constructions)**

This type of modular construction product can take a couple of forms, namely be a standalone room, or a part of the room, and be a part of the building.

A practical example of the modular building includes partially finished or turnkey modules, bathroom pods, and container-style structures, amongst others.

The modular buildings are a proper fit for workers' accommodations, permanent and temporary houses, offices, and hotel rooms to name a few.

Potential customers: individuals, developers, limited company, central/local Government, other public, other private.

Markets served: Education, Healthcare, Hospitality & Retail, Commercial Housing, Office and Administration, Industrial and Energy, Construction, Security.

PRICE

Price is the amount of money that the consumer has to pay in exchange for the product or service. There are several pricing strategies to follow. The price should reflect the product's positioning in the market, and the resulting price should cover the cost per item and the

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profit margin. Low pricing hinders the business's growth while high pricing could potentially chase the clientele towards the competition's lower prices.

In the case of Xas a new company on the growing modular construction market, a proper pricing strategy to implement is the penetration pricing strategy. This involves setting a lower price to enter the competitive market and gradually increase it over time. This way, the business is also able to develop relationships with new customers willing to try new products from a new company that is sold at a lower price point.

Fixed pricing shouldn't be employed due to the variety of factors accompanying the modular products, such as the size of the home (sq. m.), the smart technology used, materials used, and location.

As a foundation for future pricing, these are the X's initial price points:

- **Steel structures and parts of the steel structures based on light gauge steel - 1.3 €/kg.**
- **2D Panels: SIP (structural insulated panels) - 15 € per square meter.**
- **3D Volumetric modular buildings - 500 € per square meter.**

PLACE

Place refers to the distribution, the methods, and location the company will use for the products. The idea behind Place in the marketing mix is to make the products easily accessible to the target customers. The first point of sales will be X's office, located in Romania where customers can come, see the products and make purchases and orders afterwards.

The Company has already established relations with national and international suppliers which will provide the necessary materials to manufacture X's modular construction products.

- Voestalpine Steel Service Center Romania SRL is the selected Romanian supplier, which will provide galvanized steel coils for 850€ per metric ton.

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- Hekim Holding is a supplier from Turkey that will provide Fibercement boards (thickness from 8 to 24mm and 1.2x3.0m in size) at a price somewhere between 8 and 20 euros per board.
- Knauf Insulation is X's supplier from Belgium that will provide the Company with Supafill Max insulation – priced at 261€ per a 174kg bag.
- The Cellulose fiber insulation will be supplied from Switzerland's Isofloc AG. Big bales of 350 kg will be procured at the price of 179€.
- Lastly, Belgium's Grabber/Egetra NV will be responsible for providing X's Fasteners. Their price is somewhere between the 129 and 198 euros - per box of 6,000 screws.
- Rockwool Group – will supply Xwith materials from their factory in Romania.

PROMOTION

As mentioned above, one of the challenges for the modular construction landscape is the potential client's lack of awareness. That is why it is crucial to inform and educate potential clients on the benefits that modular construction product offer. Another crucial step is to promote the Company's products to capture the potential client's interest and trust. Every company should set promotional goals linked to the sales goals to accomplish this.

- **Social media** is an excellent tool for engaging and interacting directly with X's potential customers. The more the Company communicates with the audience via this channel, the greater the chance of converting new customers.

  One of the major social media platforms that are being alluded to as a cost-effective channel are: **Facebook, Instagram, Twitter,** and **LinkedIn**. LinkedIn is a great way for the Xto tell the brand's story. At the same time, providing a place where product-based businesses can network, collaborate among themselves and thrive. **Digital advertisements and** website banners can also be a great addition.

- **Trade Fairs** are a great way to visually present your product and catch the attention of the visitors. There are many construction-related fairs year-round that could offer this chance.

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- **E-mail marketing** is also an easy, effective, and inexpensive method for promotion. E-mail marketing allows business owners to reach a large number of consumers at a rate of nearly nothing per message.
- **Another way to promote is by having a membership in Modular Construction - related associations**. An example is the Modular Building Institute (MBI), an international non-profit trade association serving modular construction.
- **Search Engine Optimization (SEO)** is one of the most critical marketing strategies for small businesses. SEO is the process of optimizing your site structure and content to make it easier for search engines to crawl or "read." The higher you rank on Google, the more opportunities you will have to drive new traffic to your site.
- **It is also very important to have a Company website**. This is where consumers can view images of finished projects, as well as videos of projects that in progress or are completed.

The key to any promotional activity is its consistency and commitment to the strong brand strategy. To reduce the media clutter, Xwill have to create a firm brand name and a logo. This will help narrate the company's story and make a clear distinction between Xand the competition.

It is vital to keep the focus on the target audience that can be reached. This includes carefully tailoring the promotion strategy, marketing, and general offerings. The goal of these efforts is towards meeting the specific needs of the particular customer pool that is showcasing the highest interest and probability of making a purchase.

ORGANIZATIONAL STRUCTURE

X’s organizational structure will maintain a traditional structure with the General Manager - Ciprian Petrule being the Company’s forefront. The General Manager has 12 years of experience of being a consultant and design coordinator for industrial construction. During this time he specialized in detailing wooden and metal structures in Romania and New Zealand. Furthermore, he undertook a long-term study on construction systems and innovative construction materials.

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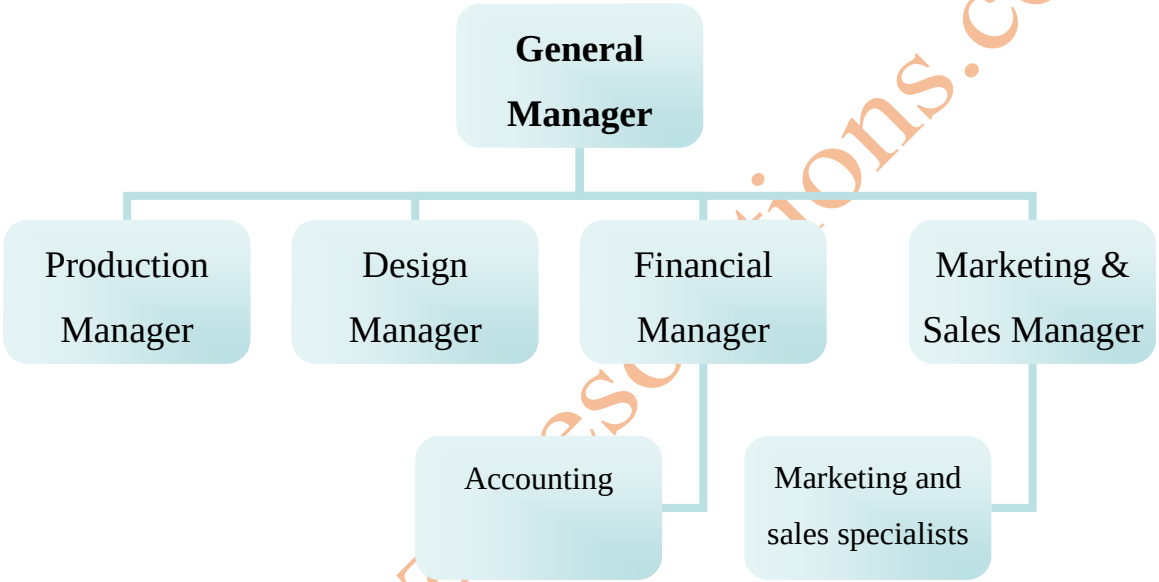
The other sectors (positions) that will be incorporated within the Company, are the Production sector, Design, Finances, Marketing & Sales. A manager will lead each of these departments.

The pillars of the Company are its workers. The workforce includes, but is not limited to CNC operators, welders, locksmiths, painters, crane operators, assemblers, electricians, installers, carpenters, and floorers.

A graphical representation of the planned Company's organizational structure is presented below.



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SWOT & RISK ANALYSIS

In the space below, X's SWOT analysis is showcased.

One of the essential tools used in strategic planning among companies is the SWOT analysis. This analysis encompasses the internal variables which the company has some control over – Strength and Weaknesses. The other two – Opportunities and Threats represent the external variables where Xhas very little power and influence over.

In addition to the SWOT analysis, a Risk Analysis is also performed to address the potential ways the Company could tackle the issues arising from the organization's internal weaknesses and threats. The risk analysis is presented below the SWOT analysis.

Internal Strengths	**Internal Weaknesses**
• Already established supplier network. • Availability of sizeable initial capital. • The Founder has an extended experience in contemporary construction and its systems. • Using high performance and quality materials in the production process • Land for the factory has already been acquired. • X's team is in the know of all necessary equipment and technology for starting production. • The Company has already several offers from technology suppliers.	• The company has no past track record making it hard to gain the trust of clients and investors. • Design limitations. • Small initial team.
External Opportunities	**External Threats**
• The increasing need for affordable housing, renovation of old and construction of new dwellings. • Increasing the use of digital technology (such as the BIM tool, and 3D printing) helps the erosion of barriers in modular construction. • Governments around the world are now backing offsite construction far more vigorously than before. • Increasing attention to sustainability in the built environment represents a substantial	• Regulatory and contractual frameworks to support modular construction. • Perception that modular construction products are cheap and have low quality. • X's dependency on the network of suppliers which leaves its operation cycle vulnerable. • With the technology moving along quickly, it is possible that the expensive software and hardware that Xuses initially, to become outdated quickly.

opportunity for modular construction • Labor shortages. • Reduction in construction wastes. • Lightening construction safety hazards.	

RISK ANALYSIS

The risk analysis represents the systematic study of the uncertainties and risks surrounding businesses, public policy, and other areas. This analysis intends to emphasize the risks facing the modular construction Company, and estimate how big is their impact (financial or otherwise).

The purpose of the risk management section is to look at the weaknesses and threats of Xmore closely, view and assess the risk, as well as provide viable solutions on how to avoid them.

The following table showcases the risks, the probability of occurring, as well as the impact on X. One represents the lowest probability and five the highest.

The impact of the risk on the organization is measured in the same way. The intensity of the risk is calculated by multiplying the risk probability and the risk's impact figures. The higher the risk's intensity, the more threatening it is to the gold refinery.

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Risk	Probability	Impact	Total	Action
The company has no past track record making it hard to gain the trust of clients and investors.	**5**	**3**	**12**	**Risk Mitigation** Through networking, articles, marketing, and media exposure Xcan showcase its expertise in the field, until its first couple of modular construction projects are finished. The Company's completed projects will advocate for their work's quality.

Design limitations	**4**	**2**	**8**	**Risk Acceptance** Building modules in a factory and shipping them to the job site for assembly poses inevitable restrictions on the size, weight, and extent of the modules, which essentially translate to design limitations.
X's dependency on the network of suppliers which leaves its operation cycle vulnerable.	**4**	**5**	**20**	**Risk Mitigation** If one participant of the supply chain experiences any issues (logistical, financial, and quality-wise.), the entire production cycle could be delayed. Regular check-ups, open communication, and transparency should be exercised to ensure a flawless supply chain.
With the technology moving along quickly, it is possible that the expensive software and hardware used by Xinitially, become outdated quickly.				**Risk Mitigation** Regular education, consultation with construction-related technology experts, and keeping up with the technologic trends in the construction landscape, will enable Xto anticipate the shifts in modular technology.
Small initial team	**5**	**2**	**10**	**Risk Mitigation** Although the initial Xteam is small in number, it poses a challenge for the company if a project of a larger-scale is undertaken. As the Company's operations grow, so too should its human resources. Maintaining the workforce up to date on their skills and operational knowledge are crucial for the Company's success.
Regulatory and contractual frameworks to	**3**	**4**	**12**	**Risk Mitigation**

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support modular construction.				Existing, or new regulatory and legislative rulings that may obstruct X's operations. This can be avoided by diving deeper into the relevant laws and regulations surrounding construction in each target market.
The perception that modular construction products are cheap and have low quality.	**3**	**3**	**9**	**Risk Mitigation** The public stigma that modular construction products are implemented only due to their affordability. Through extensive marketing strategies, lobbying, and awareness-raising practices, the general population can be educated on the numerous benefits modular construction provides, apart from its affordability.

FINANCIAL PLAN

The distribution of the planned capital for the organizations is to invest 20%, borrow 30% from the bank, and request 50% from state funds.

In this section of the business plan, a three-year financial projection for X's performance is provided. The financials include a balance sheet, an income statement, and a cash flow statement.

In the following spaces, each part of the financials is elaborated in greater detail.

ASSUMPTIONS

These are the assumptions on which the financial modelling is based on.

1. It was assumed that the annual sales increased by 6.9% in the second, and in the third projected years, as a result of the growth of the global modular construction market.
2. Sales and Revenue estimations:

a. The monthly amount of tonnes of Steel Structures and Parts sold was assumed to be 20. The price per tonne was assumed to be 1,300€.

b. It was assumed that 2,000m^2 of SIPs would be sold per month, at the price of 15 € per m^2.

c. It was assumed that a minimum of 21 50m^2 Modular Buildings would be sold per month, at the price point of 25,000 € per modular building.

3. Direct cost estimations for the sold amount:

   a. The direct monthly costs for the production of a tonne of Steel Structures and Parts was assumed to be 1,005€.

   b. The direct monthly costs for the production of one m^2 of SIP was assumed to equate to 12 €.

   c. It was assumed that the direct monthly costs incurred for the manufacture of one 50m^2 modular building would be equal to 20,000 €.

4. The salaries for Technic, Economic & Socio-Administrative employees were assumed to equate to 37,500 €.

   In addition to these salary expenses, the average monthly salaries in Romania for people occupying the General Manager, Production Manager, Design Manager, Financial Manager, and Marketing & Sales Manager positions were also assumed.

   - Assumed General Manager salary – 2,000 €
   - Assumed Production Manager salary – 1,015 €
   - Design Manager salary - 990 €
   - Financial Manager salary – 6,034 €
   - Marketing & Sales Manager salary – 4,835 €

5. The monthly costs for Utilities (heating and water amongst others) were assumed to amass 5,000 €.

   In addition to the Utility costs, it was also assumed that two other types of indirect (overhead) costs would happen – Office Supplies & Equipment, and costs for Marketing & Sales.

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- Assumed monthly costs for Office Supplies & Equipment – 600 €.
- Assumed monthly costs for Marketing & Sales – 1,500 €.

6. The Corporate (Company) tax rate was assumed to be 16%.
7. The Investment for Land, Factory Construction, Equipment, etc. was assumed to equate to €500,000, and its depreciation period would equate to a total of 120 months.
8. The available cash XIndustry would have at its disposal at the beginning of the projected period was assumed to amount to 10,000 €.
9. It was assumed that the Company would not have any product stocks. This means that it will use up all production materials, and all modular construction products will be sold.

INCOME STATEMENT

The Income Statement (or Profit &Loss Statement) is the financial statement that reports X's financial performance over a three year accounting period. Financial performance is assessed by giving a summary of how the business will incur its revenues and expenses through both operating and non-operating activities (direct and indirect costs). It also shows the net profit or loss incurred over the forecasted accounting period.

Profit & Loss Statement			
	1st year	2nd year	3rd year
Total Revenues	**€ 6,972,000**	**€ 7,453,068**	**€ 7,926,392**
Direct cost:			
Direct costs for Steel Structures	€ 241,200	€ 257,843	€ 275,634
Direct costs for SPIs	€ 288,000	€ 307,872	€ 307,872
Direct costs for Modular Buildings	€ 5,040,000	€ 5,387,760	€ 5,387,760
Total Direct Costs	**€ 5,569,200**	**€ 5,953,475**	**€ 5,971,266**
Gross Profit	**€ 1,402,800**	**€ 1,499,593**	**€ 1,955,126**
% of Revenues	20.1%	20.1%	24.7%
Indirect cost:			
Salaries	€ 628,488	€ 628,488	€ 628,488
Office Supplies & Equipment	€ 7,200	€ 7,200	€ 7,200
Utilities (heating, water)	€ 60,000	€ 60,000	€ 60,000
Marketing & Sales	€ 18,000	€ 18,000	€ 18,000
Total Overheads	**€ 713,688**	**€ 713,688**	**€ 713,688**
Earnings before Interest, Tax and Depreciation (EBITDA)	**€ 689,112**	**€ 785,905**	**€ 1,241,438**
% of Revenues	*9.9%*	*10.5%*	*15.7%*
Interest Expenses	0	0	0

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Earnings Before Tax (EBT)	**€**	**689,112**	**€**	**785,905**	**€**	**1,241,438**
Less: Corporate Tax	€	102,258	€	117,745	€	190,630
Net Profit	**€**	**586,854**	**€**	**668,160**	**€**	**1,050,808**
% of Revenues	***8.4%***		***9.0%***		***13.3%***	
Cumulative profit	**€**	**586,854**	**€**	**1,255,014**	**€**	**2,305,823**

The Income Statement is showcasing that the total revenues Xwill amass during the first year of operations will equate to 6,972,000€ .The following two years the company will have an estimated total revenues 7,453,068€ and 7,926,392€.

The total direct costs which are included in the production of the modular buildings, are equal to 5,569,200€ for the first year of operations, 5,953,475€ for the second and 5,971,266€ for the third projected year of operations.

The total overhead expenses will remain constant for the entire projected three-year period, equating to 713,688€.

The Earnings Before Interest, Tax, and Depreciation (EBITDA) will amass 689,112€ in the first year, an increase to 785,905€ and reaching 1,241,438€ in the third year of operations.

The cumulative profit for Xfor the first year is expected to reach 586,854€. The company's second-year cumulative profit is projected to reach 1,255,014€. In the third year of operations, X's cumulative profit is projected to reach 2,305,823€.

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CASH FLOW

The Cash Flow details the amount of cash and cash equivalents are entering and leaving X. The Cash Flow also allows investors to understand how the company's operations are running, where its money is coming from, and how it is being spent.

Cash Flow Statement						
	1st year		2nd year		3rd year	
Net Income	€	536,854	€	618,160	€	1,000,808
Depreciation		50,000		50,000		50,000
Cash Flow from Operating Activities	**€**	**586,854**	**€**	**668,160**	**€**	**1,050,808**
Sale of investments		0		0		0
Investment		500,000		0		0
Cash Flow from Investing Activities		**500,000**		**0**		**0**
Bank Overdraft		0		0		0
Loan Principle		0		0		0
Paid-in Capital		0		0		0
Cash Flow from Financing Activities		**0**		**0**		**0**
Net Cash Flow	**€**	**1,086,854**	**€**	**668,160**	**€**	**1,050,808**
Add: Beg, Cash	€	10,000	€	1,096,854	€	1,765,014
End, Cash	***€***	***1,096,854***	***€***	***1,765,014***	***€***	***2,815,823***

X's cash flow statement indicates that the company's cash flow from operating activities will equate to 586,854€ in the first business year, 668,160€ in the second and increasing to 1,050,808€ in the third projected year of operations.

The Company will engage in investing activities only in the first year of operations, therefore the cash flow from investing activities will equate to 500,000€ in the first year and remain nil for the other two.

X's net cash flow is expected to equate to 1,086,854€ in the first operating year, 668,160€ in the second and 1,050,808€ in the third year.

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