

Urban Water Partners



Presentation to investors by the executive team

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What will you gain by investing in Urban Water Partners?

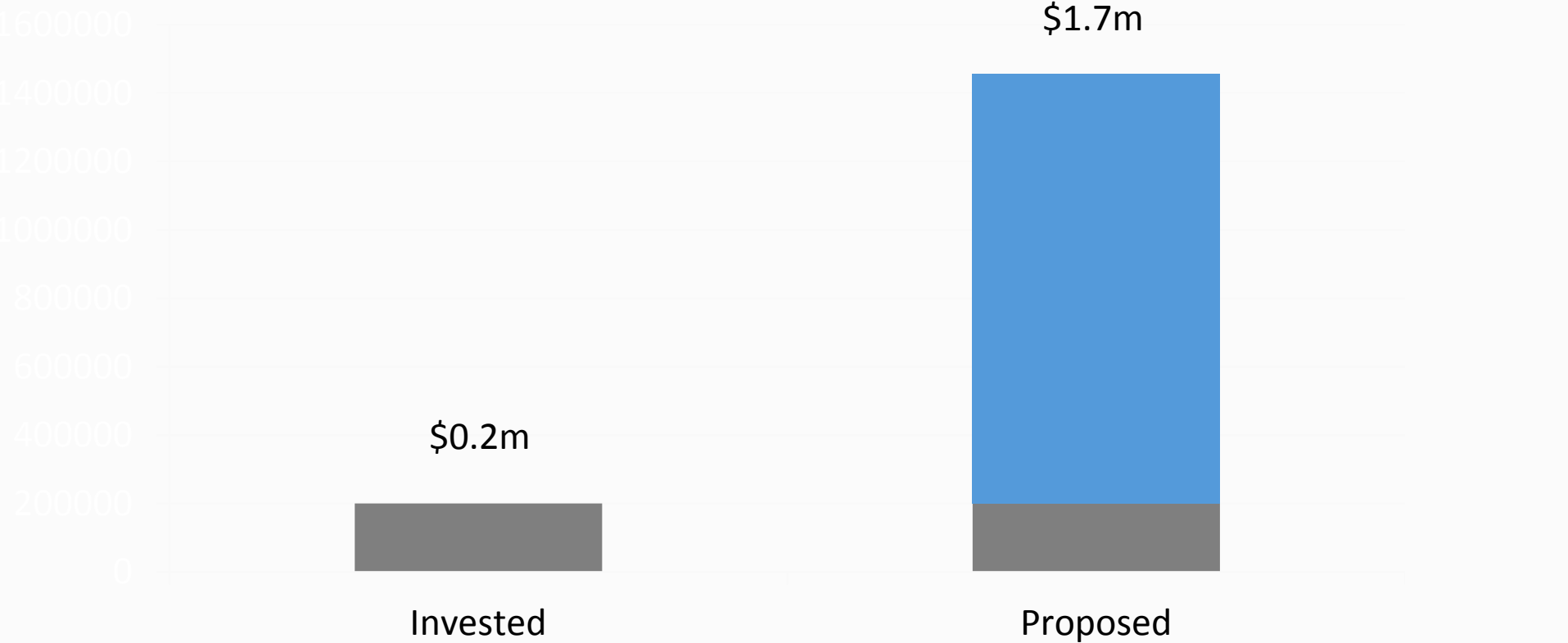


Financial

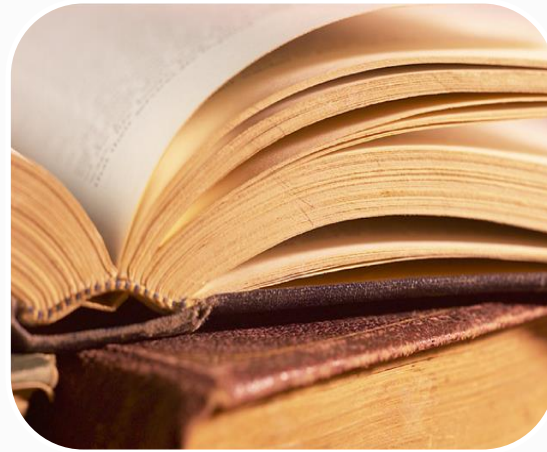


Non-financial

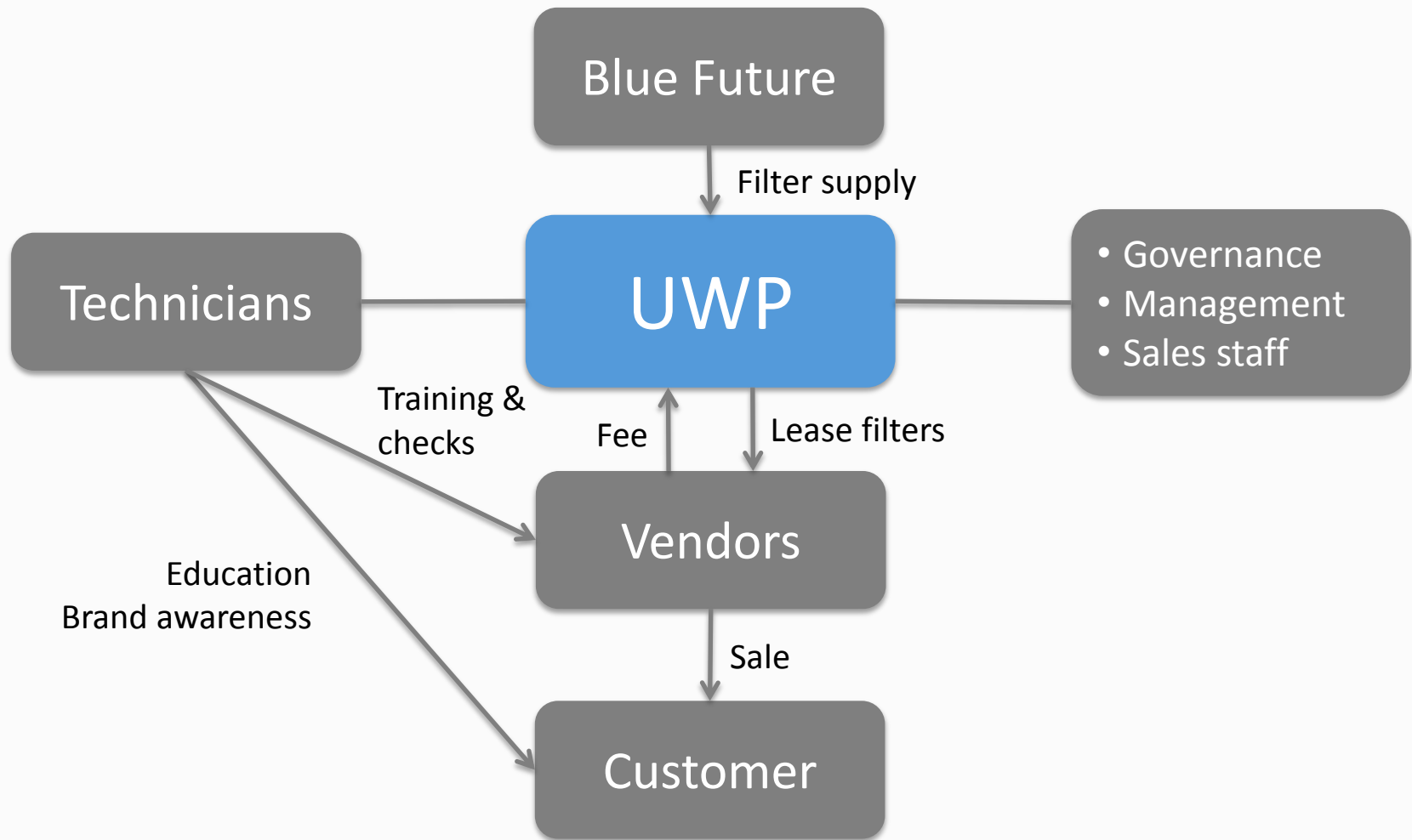
Urban Water Partners will generate a 7.5 times return on investment



You will also gain non-financial benefits



UWP business structure



Three key points of analysis

Health
awareness

Trust based

Water
distribution

Health awareness

Widespread awareness of the dangers of contaminated water



Current solution: charcoal boiling



Ineffective, inefficient and often expensive

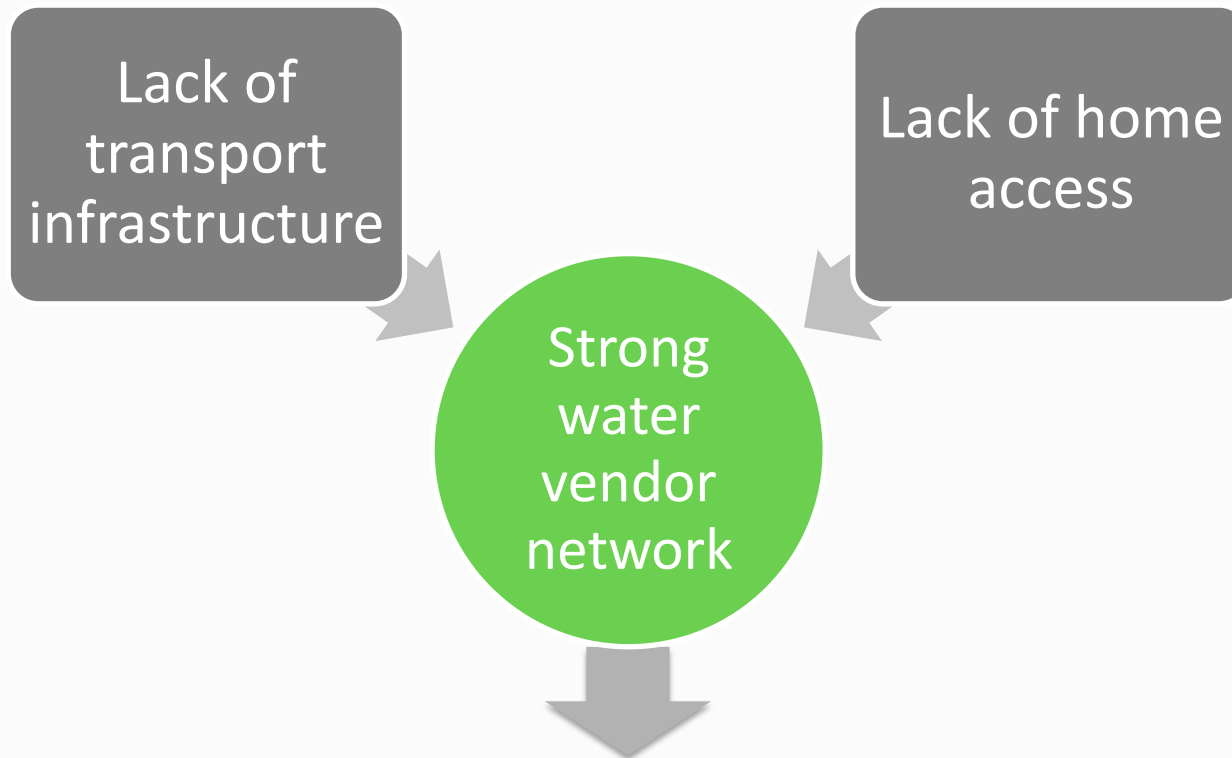


Opportunity for better alternative to meet health concerns



Customers must trust the purity of the water or they will not purchase

Water distribution



Most efficient distribution will leverage existing network

The UWP business model has three main components



Operations



Vendor
Relationship



Marketing

Management

- Overseas skills and experience
- With local knowledge

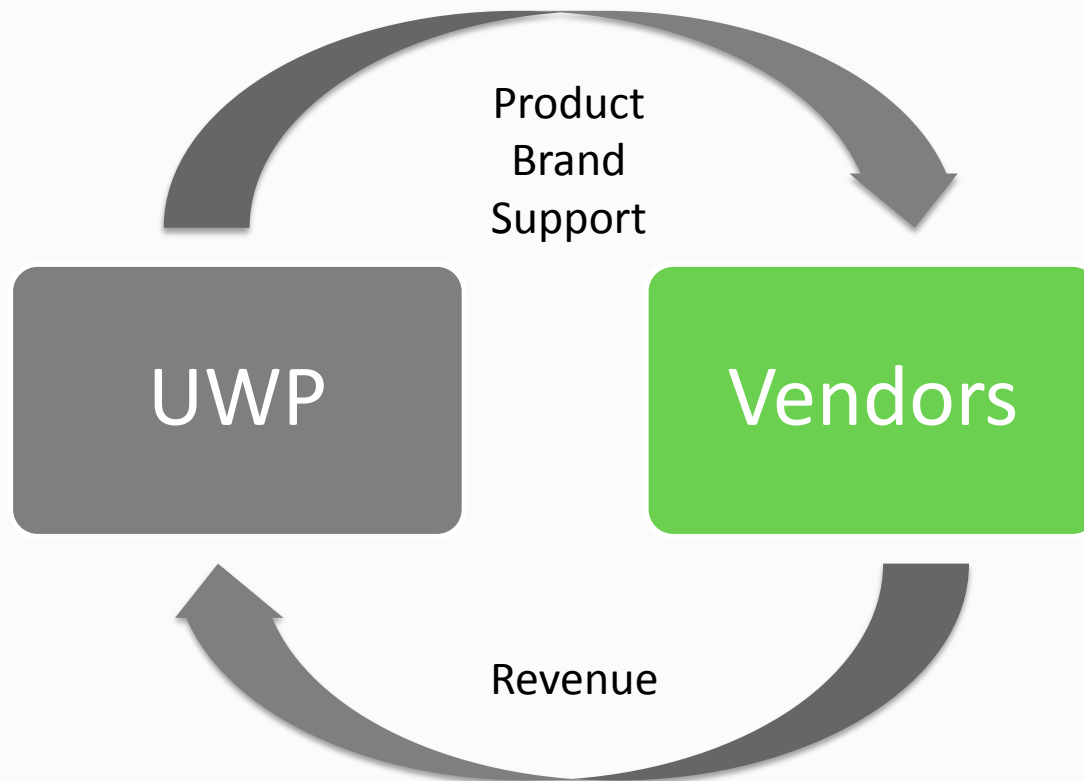
Procurement

- Year 1: Imported
- Year 2: Local production source

Technicians

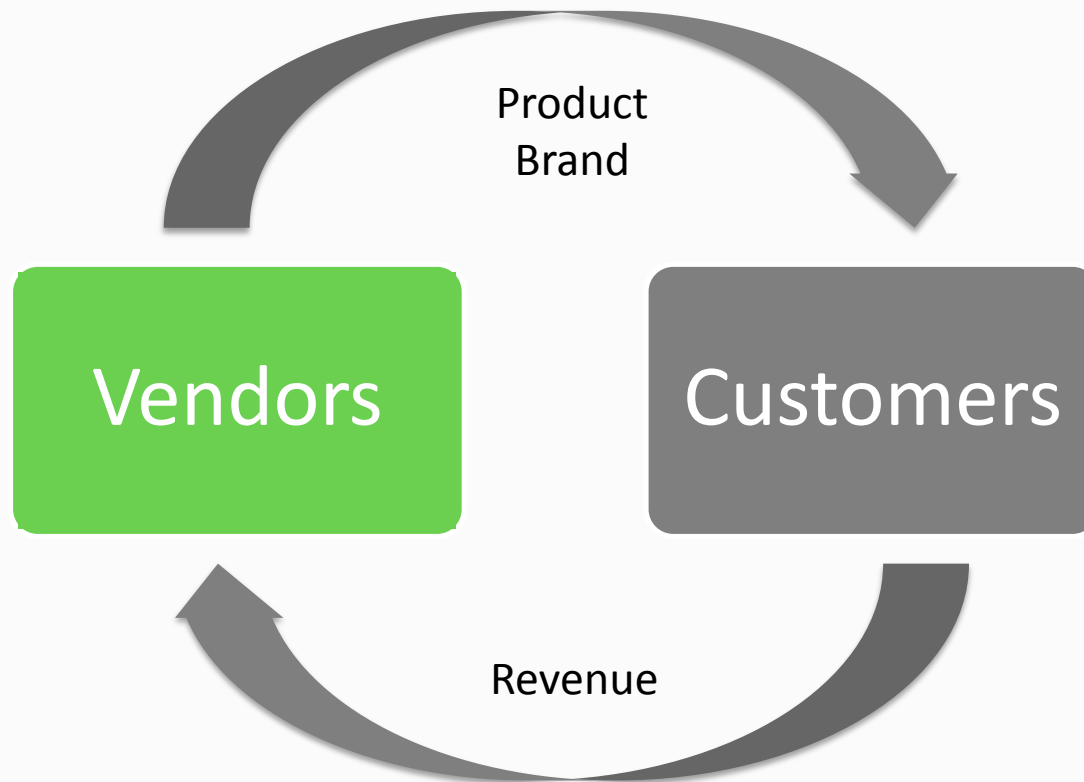
- Education
- Marketing
- Support

Vendor relationship



Our process strengthens and manages this relationship to reduce risk to revenue

Vendor relationship



Our process ensures vendors can be verified and trusted

Multi-channel brand message:

- Family health
- Purity
- Reliability

Grassroots Education:

- Charcoal danger and cost
- Limitations of boiled water

A trusted
and
preferred
brand

Further potential opportunities

New Market

- Mwanza, Tanzania
- Kampala, Uganda

Customer mobile payment

- Purchasing water with mobile phone credit

Cell phone applications

- Nearest UWP vendor
- Number of vendor serving your area

Other segments

- Sell filters to wealthy homes and businesses

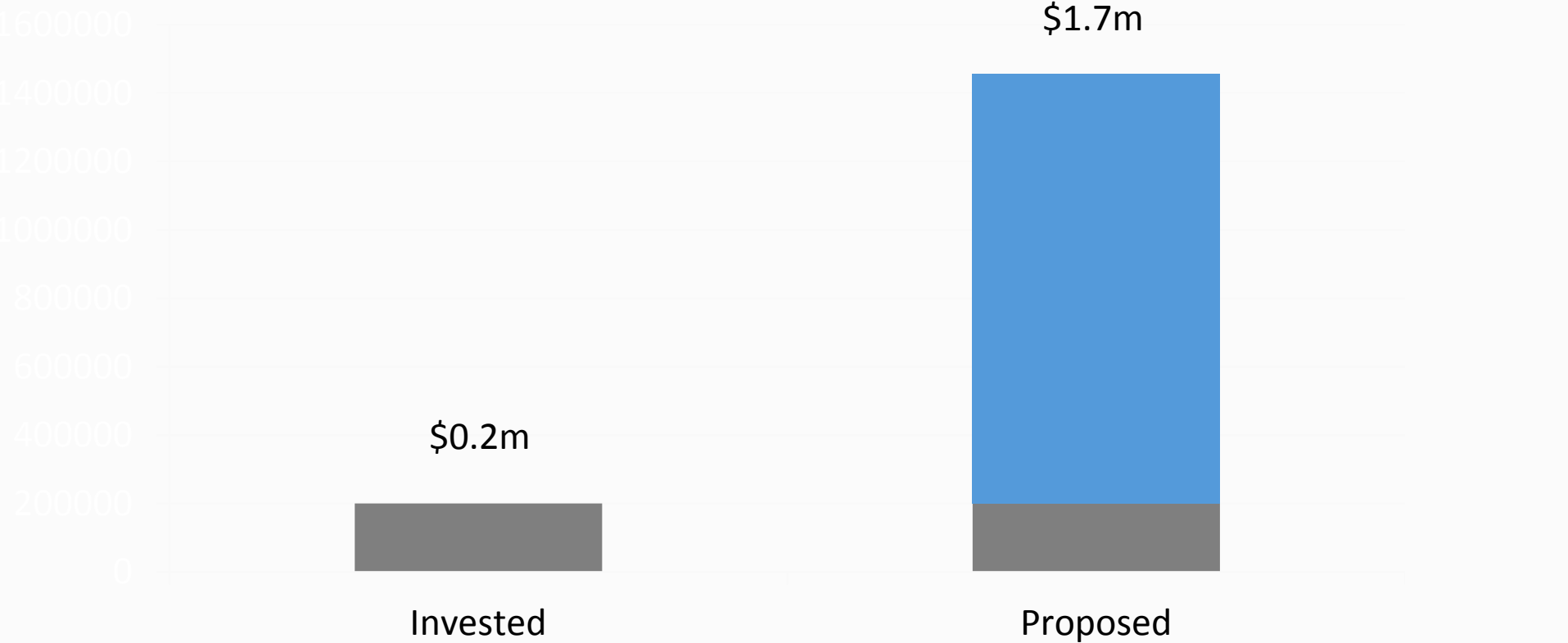
NGO and IGO

- Collaborate to reach bottom income earners

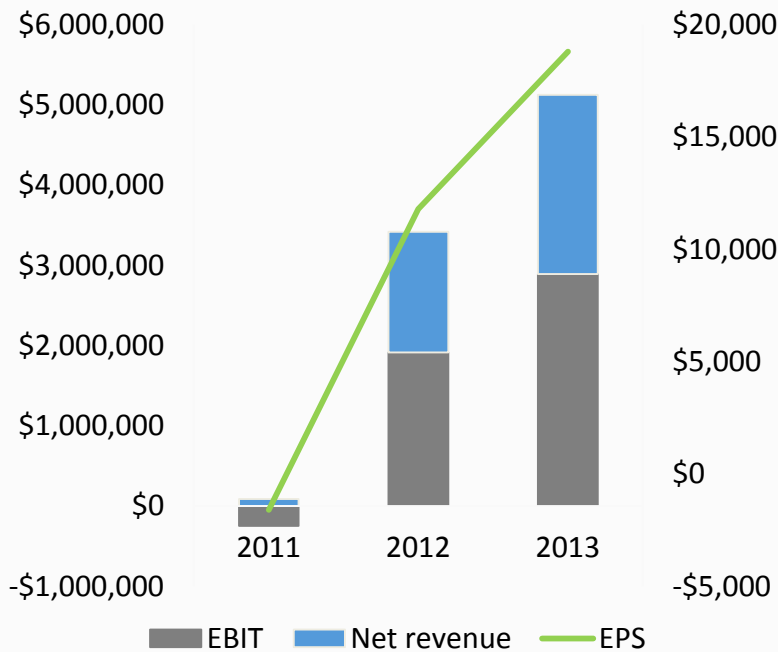
Key Risks and Response

Risk	Response
Quality control	Strict selection, mandatory sale procedures, on-going control and audits combined with consumer water storage education.
Corruption	Will pursue ethical business practice unless core business is threatened.
Filter abuse	Assessed on case by case basis. Where damage unreasonable, vendor bears cost.
Water supply shortage	Work with NGOs to improve government supply.
Drop in charcoal price	Greater disposable income from price drop may raise demand. Increase education and reduce price if feasible.

Urban Water Partners will generate a 7.5 times return on investment



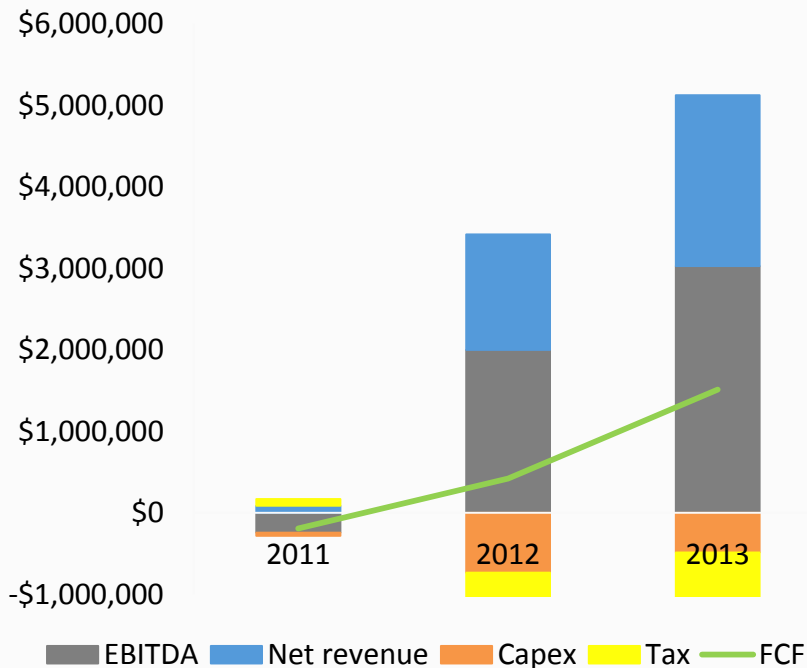
UWP will be profitable from the second year of operations



Assumptions	
Customers per day	100 per vendor
Liters per customer	1 litre
# filters (year 1→year 3)	50→3,000
Commission paid	20% of reported gross revenue

EPS			
	2011	2012	2013
EPS (US\$)	(1,606)	11,784	18,699

Urban Water Partners will generate a 7.5 times return on investment



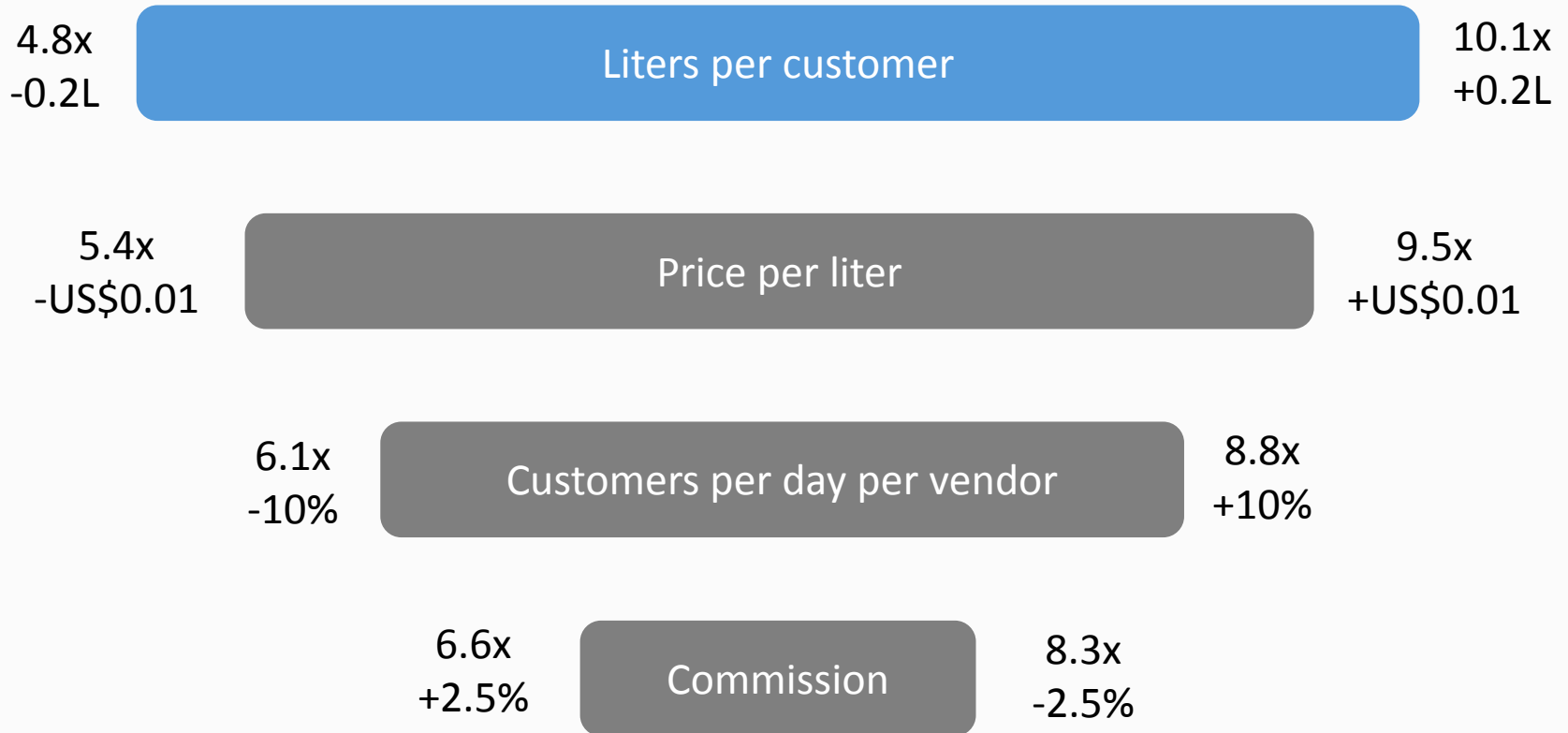
Assumptions

Net revenue	7% growth
EBITDA margin	59%
Depreciation	3% of net revenue
WACC	25%
Tax rate	35%
Terminal growth	5%

Valuation

	UPW NPV	20% equity NPV
Perpetual	8,934,954	1,786,991
50 years	7,985,801	1,597,160
Average	8,460,378	1,692,076

Your return on investment is most sensitive to the number of liters sold per customer



The UWP business model has three main components



Operations



Vendor
Relationship



Marketing

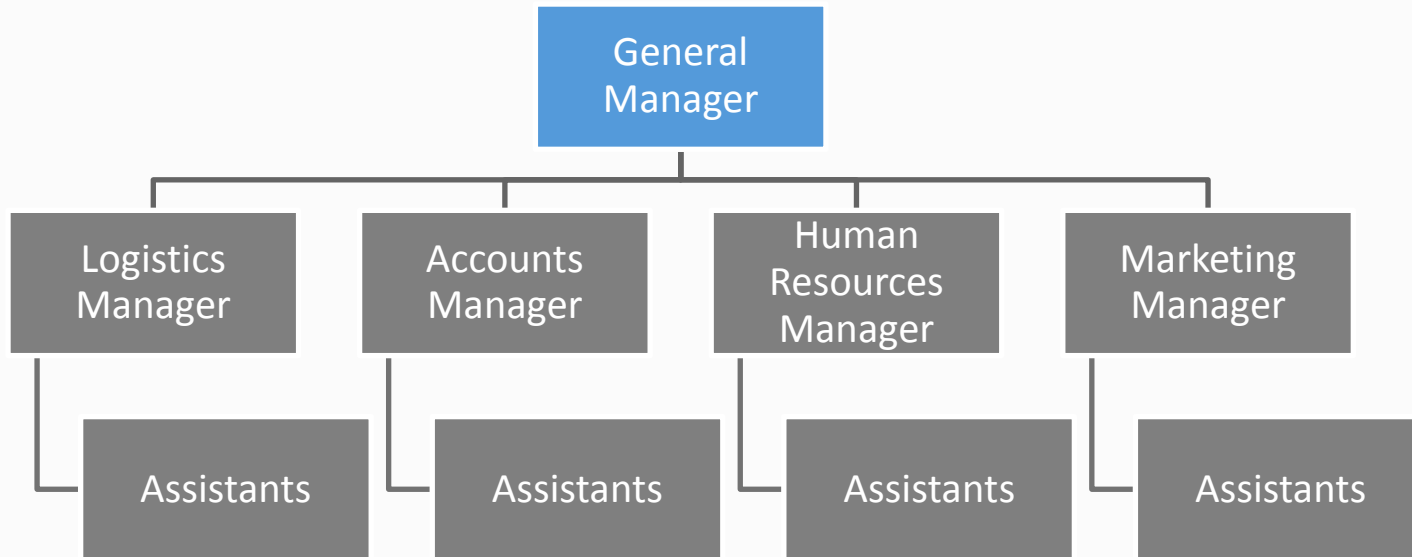
Technicians will be females respected by the community

Technician criteria

- Female
- Engaged with the community
- Concerned with community health and family life
- Can drive/learn to drive a motorbike
- Speaks the local language
- Basic level of education



Management structure includes a General Manager, Department Managers and Assistants



General Manager
<ul style="list-style-type: none">• American• Social conscience• US\$90,000 p.a.

Managers & Assistants
<ul style="list-style-type: none">• Local• Educated• Speak English• Managers: US\$3,000 p.a.• Assistants: US\$2,000 p.a.

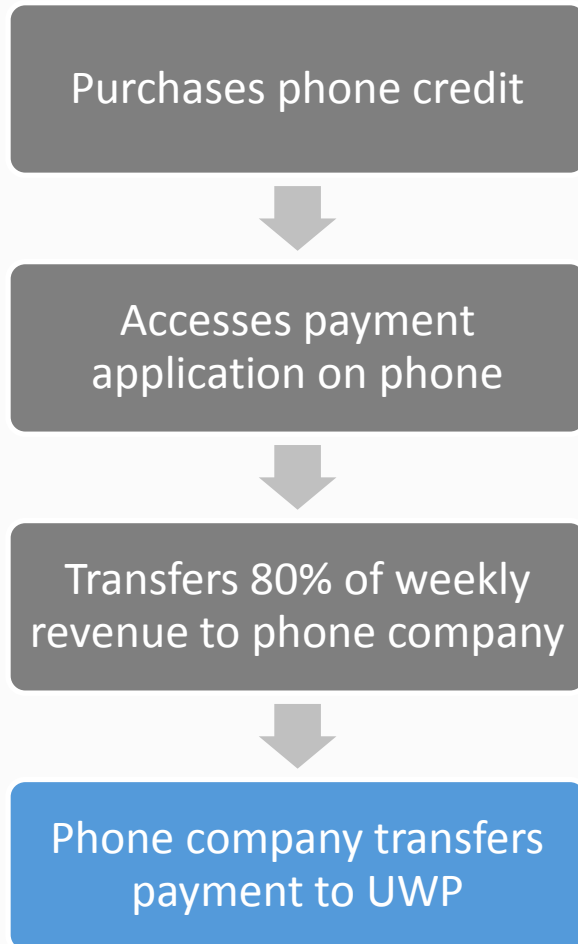
Vendors will be selected according to a strict criteria, undergo training and follow stringent sales guidelines

Vendor Criteria

- Legal
- Experience
- Relationship with customers
- Basic education
- Technologically savvy
- Presentable
- Trustworthy
- Community health concern



Mobile payments will be used for Vendors to pay UWP



Additional features:

- Vendors sent weekly text to remind them to pay
- Voice prompts for those unable to read

The measuring device on filters will allow us to accurately measure water sales and revenue



How it works

- Water meter
- Approximately \$15 added to cost
- Measures output of water as it exits filter



Location on filter

- Both technicians and vendors can view meter
- Locked to filter



Technician

- Checks and records the amount of water that exited the filter
- Weekly checks

Greater trust in UWP water will be generated through ID badges and branded containers



ID Badges

- To be visible on vendor at all times
- Difficult to imitate
- Incorporate UWP brand
- Renewed twice a year



Branded Containers

- 4 containers provided to mobile vendors
- 10L containers
- UWP Branded and price included
- Renewed twice a year

UWP has 6 main marketing methods

Education
Programmes

UWP
Stickers

Certification

Advertising

Word-of-
Mouth

Celebrity
Support

Technicians will engage in grassroots marketing through educating vendors and the community



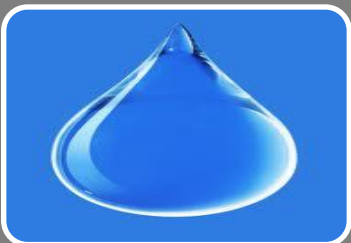
Topics

- Benefits of filtered water and risks of coal
- Storage of water
- Causes of water related diseases



Where and who

- Religious centres, settlements, community events
- People of influence e.g. doctors, teachers, religious leaders, elders
- Females and families



How

- Dialogue
- Physical examples/experiments
- Posters/booklets/pamphlets

UWP Stickers will be on all filters we provide



Visible to customer



Logo and celebrity



Includes price of 1L of water

Certification by the government agencies TFDA and TBS



What they do

- Control quality, safety and effectiveness of products
- Products tested, registered and approved before sold



Why we want it

- Highly respected by customers
- Greater trust in our product



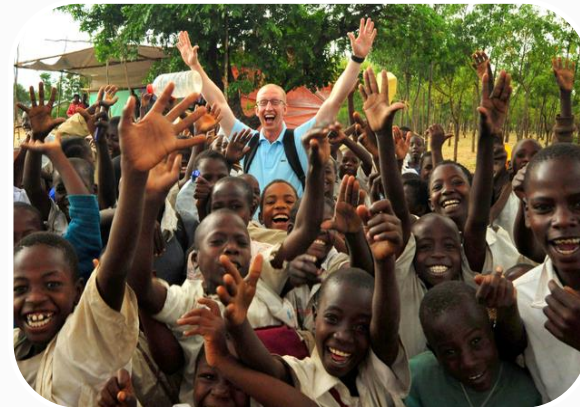
How we do it

- Approach TBFA and TBS to begin process
- Ensure visible on filters, advertisements, stickers, containers

What will you gain by investing in Urban Water Partners?

7.5x

Financial



Non-financial

Urban Water Partners

1. Title
2. Gains from investing in UWP
3. Return on investment
4. Non-financial benefits
5. UWP business structure
6. Three key points of analysis
7. Health awareness
8. Trust based
9. Water distribution
10. UWP business model
11. Operations
12. Vendor relationship
13. Vendor relationship
14. Marketing
15. Further potential opportunities
16. Key Risks and Response
17. Return on investment
18. Income Statement
19. Cash Flows
20. Sensitivity
21. UWP business model
22. Technicians
23. Management structure
24. Vendors
25. Mobile payments
26. Measuring device on filters
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29. Technicians will engage in grassroots marketing
30. UWP Stickers
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32. Gains from investing in UWP
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34. What we will do tomorrow
35. Additional risks identified
36. Potential cities for expansion
37. Expansion implementation guideline
38. Alternative vendor payment structures and methods
39. Other strategy considerations
40. Blue Future
41. Head office and storage
42. Advantages and disadvantages of a slowsand filtration
43. Print advertising
44. Local celebrity to be brand ambassador
45. Who are we
46. Income Statement
47. Income Statement
48. Cash Flow Statement
49. NPV
50. Sensitivity analysis
51. Long term assets

What we will do tomorrow



Contact
office spaces
in Kurasini
for lease

Publish job
listing for
general
manager

Finalise
negotiations
with Blue
Futures

Additional risks identified

Risk	Response
Imitability	Relatively high barriers to entry as markets without competition exist. Room for multiples of growth for several companies without direct competition.
Dis-intermediation	Strong processes and training to add value. Establish brand loyalty through trust.
NGO programs	If intending to undercut, could work to be the service provider for NGO programs.
Vehicle abuse	Fuel vouchers are provided based on work travel estimates. Unreasonable damage taken from pay check.
Technician-Vendor collaboration	Random audits by other technicians.

All cities under consideration are geographically close to Tanzania

	GDP growth	Household piping	Access to clean drinking water	Population (millions)	Political stability	Potential to enter
Mwanza, Tanzania	6.0	10%	80%	0.9	5.9	High
Kampala, Uganda	7.1	17%	65%	1.7	6.5	High
Kigali, Rwanda	4.1	18%	66%	1.0	4.9	High
Maputo, Mozambique	6.3	9%	38%	1.2	5.7	High
Lusaka, Zambia	6.4	25%	83%	1.7	7.8	Medium
Antananarivo, Madagascar	-3.7	22%	70%	1.4	7.1	Medium
Nairobi, Kenya	2.6	46%	83%	3.1	7.5	Medium

Expansion implementation guideline

Entry

- Establish vendor network through existing UWP criteria and processes
- Hire local management team – general manager to be trained or sourced from US/Dar es Salaam

Marketing

- Adjust marketing to use local celebrities
- Leverage recognized national approval processes if existing
- Alter education to local knowledge on safe drinking water

Filter Supply

- Transport 50 filters initially
- Work with Blue Filters or other slow sand filtering manufacturer to establish local manufacturing for each city

Alternative vendor payment structures and methods

Profit sharing

- Share percentage of profit rather than revenue
- Cannot efficiently calculate the amount due

Flat fee

- Vendors to pay a set fee for lease of filters
- Limits revenue; increases risk for vendors; no control over price charged; cannot gather market information

Cash to technician

- Vendors to hand over payment to technicians as opposed to mobile banking
- Sours support relationship; compromises safety of technicians

Banking

- Make payments via banks
- Harder to access; often has long lines; will be time consuming
- Can offer as an alternative

Other strategy considerations

Rural market

- Supply filtered water to rural markets
- Many NGOs working in this sector already
- Not our core competency and business model
- Can work with NGOs to bring community slow sand filters to rural communities

Sell filters to businesses

- Supply slow sand filters to commercial clients in Dar es Salaam
- Likely to already have filtering systems in place
- Relatively small market compared to household needs
- Potential for the future but huge likelihood of dis-intermediation as businesses are able to purchase directly from manufacturers

Sponsor programmes

- Facilitate goodwill programmes where Western individuals sponsor the water needs of a family in Dar es Salaam
- Not our core competency and business model
- Implementation of the programme will be difficult
- Can work with NGOs in this area to provide their water requirements at cost

Blue Future to manufacture filters in Tanzania from Year 2
for \$250 each



Blue Future will enter Tanzania due to:

- Exposure to a new market
- Guaranteed sales
- Aligns with mission
- Previous involvement with NGOs

UWP will lease area for a head office and storage



Criteria

- Large enough to store trucks and equipment
- Convenient location for staff and equipment drop off
- Relatively safe area



Rent building in Kurasini, Dar es Salaam

- 1500 sqm
- \$US 16,000 p.a.
- Near port
- Secure centre
- Electricity and water supply

Advantages and disadvantages of a slow sand filtration system

Advantages of a slow sand filtration system

- Effective in improving the quality of water (remove 99% of harmful bacteria)
- No additional chemicals required
- Relatively cheap
- Sustainable technology and do not pollute the environment
- Easy to maintain and operate
- Ideal for poor/isolated areas
- Do not require electricity to run
- WHO recognises it as one of the simplest, cheapest and efficient filtration systems

Disadvantages of a slow sand filtration system

- If servicing a large number of customers they require a large land area
- Easily clogged if water contains sediments or particles
- Water must be added regularly

Picture posters will be found in areas of high foot traffic



Location

- Religious centres
- Health centres
- Bus stops
- Wall boards



Content

- Pictorial
- Endorsements
- Target females
- Promote family, quality of life, cost of charcoal, benefits of filtered water

UWP will seek a local celebrity to be brand ambassador



Criteria

- Female
- Well known and highly respected in Dar es Salaam
- Concerned with community health



Mwasiti Almasi

- Female
- Local music star
- Interested in water conservation



Role

- Endorse product
- On advertisements and filter stickers
- Remuneration: \$100,000 for first 2 years

Who are we

Dr Porter Jones

- MBA 2011 from Harvard Business School
- Medical Doctor

Aaron Matto

- Harvard Business School
- Private equity and investment banking background
- Interest in economic growth in disadvantaged communities – experience in different organisations involving building homes and child literacy

Ajay Kori

- Harvard Business School

Justin Iwasaki

- MD candidate at the University of Utah
- Worked for the Program for Appropriate Technology in Health
- Put together initial business plan

Jason Young

- MD Candidate at the University of Utah
- Put together initial business plan

Income Statement

US\$	2011	2012	2013	
customers per day per vendor	100	100	100	
litres per customer	1.0	1.0	1.0	
# filters	50	2,000	3,000	
liters per day	5,000	200,000	300,000	8% of Dar es Salaam clean water market
price per liter	0.065	0.065	0.065	
Revenue per day	325	13,000	19,500	
Gross revenue	118,625	4,745,000	7,117,500	365 days per year
Under reporting	11862.5	474500	711750	10% of gross revenue
Commission	21,353	854,100	1,281,150	20% of reported gross revenue
Net revenue	85,410	3,416,400	5,124,600	
<i>growth</i>		3900.0%	50.0%	

Income Statement

	2011	2012	2013		
Operating expenses					
Technicians salaries	7,200	120,000	180,000		
# technicians	6	100	150	salary per month	100
Head office salaries	118,000	128,200	203,420		
Sales staff salaries		36,000	36,000		
# sales staff		20	20	salary per month	150
Testing	5,200	208,000	312,000	per filter per week	2
Maintenance	5,000	200,000	300,000	per filter per year	100
Marketing	20,000	50,000	80,000		
Brand ambassador	100,000	100,000	101,246	% of rev	1%
Vehicle operating	2,500	65,000	110,000		
Head office lease	16,000	16,000	16,000		
Water containers	420	16,800	25,200	cost per container	\$7
# of vendors	30	1,200	1,800	% of vendors	60%
Blue Future setup	40,000				
Depreciation	5,333	87,083	151,250		
General admin	12,812	512,460	768,690	% of rev	15%
Total operating expenses	332,465	1,503,543	2,247,806		
<i>% net revenue</i>	389.3%	44.0%	43.9%		
EBIT	(247,055)	1,912,857	2,876,794		
<i>% net revenue</i>	-289%	56%	56%		
Interest expense		(100,000)			
PBT	(247,055)	1,812,857	2,876,794		
Tax	86,469	(634,500)	(1,006,878)	tax rate	35%
PAT	(160,586)	1,178,357	1,869,916		
<i>% net revenue</i>	-188%	34%	36%		

Cash Flow Statement

	2010	2011	2012	2013
Operations				
Net sales		85,410	3,416,400	5,124,600
Cash operating expenses		(327,132)	(1,416,460)	(2,096,556)
Income tax expense		86,469	(634,500)	(1,006,878)
<i>Total CFs from operations</i>		(155,252)	1,365,440	2,021,166
Investing				
Slowsand filters		(20,000)	(487,500)	(250,000)
Motorcycles		(7,500)	(121,250)	(125,000)
Flatbed trucks		(12,500)	(125,000)	(112,500)
<i>Total CFs from investing</i>		(40,000)	(733,750)	(487,500)
Financing				
Equity	200,000			
Loan principal		1,000,000	(1,000,000)	
Interest on loan			(100,000)	
<i>Total CFs from financing</i>	200,000	1,000,000	(1,100,000)	
Opening cash balance		200,000	1,004,748	536,438
Increase (decrease) in cash	200,000	804,748	(468,310)	1,533,666
Ending cash balance	200,000	1,004,748	536,438	2,070,104

NPV

	2011	2012	2013		2014	2015	
Net revenue	85,410	3,416,400	5,124,600	g (post 2013)	7%	5,483,322	5,867,155
EBITDA	(241,722)	1,999,940	3,044,044	margin	59%	3,235,160	3,461,621
- Tax	84,603	(699,979)	(1,065,415)	tax rate	35%	(1,132,306)	(1,211,567)
- Capex	(40,000)	(733,750)	(487,500)	% of deprec	100%	(164,500)	(176,015)
				% change in			
- rise in WC		(233,169)	(119,574)	sales	7%	(25,111)	(26,868)
+ Depreciation	5,333	87,083	151,250		3%	164,500	176,015
FCF	(191,786)	420,125	1,522,805			2,242,243	2,399,200
disc factor	.8944	.7155	.5724	WACC	25%		
PV	(171,538)	300,617	871,704			1,026,828	878,965
Terminal			8,495,647	g	6%		
NPV (perpetual)	9,496,430			NPV (50 year life)		7,991,755	
NPV of 1%	94,964			NPV of 1%		79,918	
NPV of 20%	1,899,286			NPV of 20%		1,598,351	
ROI	850%			ROI		699%	

Asset replacement	
Slowsand filter	15 years
Vehicles	5 years

Sensitivity analysis

		WACC				
		23%	24%	25%	26%	27%
Terminal growth	1,692,076					
	4.0%	1,852,701	1,744,215	1,647,063	1,559,575	1,480,387
	4.5%	1,879,162	1,768,259	1,669,021	1,579,719	1,498,945
	5.0%	1,907,094	1,793,567	1,692,076	1,600,822	1,518,346
	5.5%	1,936,622	1,820,244	1,716,313	1,622,955	1,538,650
	6.0%	1,967,887	1,848,403	1,741,826	1,646,194	1,559,921

		Under reporting				
		5.0%	7.5%	10.0%	12.5%	15.0%
Commission	1,692,076					
	15%	2,016,632	1,937,811	1,858,990	1,780,169	1,701,349
	18%	1,928,538	1,852,035	1,775,533	1,699,030	1,622,528
	20%	1,840,444	1,766,260	1,692,076	1,617,891	1,543,707
	23%	1,752,350	1,680,484	1,608,618	1,536,752	1,464,886
	25%	1,664,256	1,594,709	1,525,161	1,455,613	1,386,065

		Price per liter				
		0.055	0.06	0.065	0.07	0.075
Liters per customer	1,692,076					
	0.8	829,255	993,602	1,157,949	1,322,295	1,486,642
	0.9	1,055,232	1,240,122	1,425,012	1,609,902	1,794,792
	1	1,281,209	1,486,642	1,692,076	1,897,509	2,102,942
	1.1	1,507,185	1,733,162	1,959,139	2,185,116	2,411,092
	1.2	1,733,162	1,979,682	2,226,202	2,472,722	2,719,242

		General admin				
		10%	13%	15%	18%	20%
Customers per day per vendor	1,692,076					
	90	1,535,615	1,480,314	1,425,012	1,369,711	1,314,409
	95	1,675,292	1,616,918	1,558,544	1,500,170	1,441,796
	100	1,814,968	1,753,522	1,692,076	1,630,629	1,569,183
	105	1,954,644	1,890,126	1,825,607	1,761,089	1,696,570
	110	2,094,321	2,026,730	1,959,139	1,891,548	1,823,957

Long term assets

Capex p.a.	total				Depreciation p.a. useful life (yrs)				Total LT assets			
	2011	2012	2013			2011	2012	2013	2011	2012	2013	
Slowsand filters					15							
# installed	50	1,950	1,000	3,000					Cost	20,000	507,500	757,500
cost per filter	400	250	250						Accum Deprec	(1,333)	(35,167)	(85,667)
Total expenditure	20,000	487,500	250,000	757,500		1,333	33,833	50,500	Net	18,667	472,333	671,833
Motorcycles					5							
#	3	49	50	102					Cost	7,500	128,750	253,750
cost per motorcycle	2,500	2,500	2,500						Accum Deprec	(1,500)	(27,250)	(78,000)
Total expenditure	7,500	121,250	125,000	253,750		1,500	25,750	50,750	Net	6,000	101,500	175,750
Flatbed trucks					5							
#	1	10	9	20					Cost	12,500	137,500	250,000
cost per truck	12,500	12,500	12,500						Accum Deprec	(2,500)	(30,000)	(80,000)
Total expenditure	12,500	125,000	112,500	250,000		2,500	27,500	50,000	Net	10,000	107,500	170,000
TOTAL EXPENDITURE	40,000	733,750	487,500	1,261,250	TOTAL DEPRECIATION	5,333	87,083	151,250	TOTAL NET ASSETS	34,667	681,333	1,017,583