



Investment Project Business Plan

«Construction of a Logistics Center in Hlybochytsya UTC»

Project initiated by:

Hlybochytsya united territorial community (Hlybochytsya UTC)

With support of:

Ministry of investment and development of Poland



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Agency for Regional Development of Zhytomyr Region



Zhytomyr -2018



1. PROJECT SUMMARY

<i>Project idea</i>	The concept of the project provides for the construction of 2 stages of the logistics complex in Hlybochytsya UTC with a total area of 36,000 square meters.	
<i>Location of the logistics center</i>	Hlybochytsya UTC, Zhytomyr region, Ukraine. Land plot - 6.3 he. Approximate coordinates of the land plot: latitude - 50.2938906 longitude - 28.7928915	
<i>Project implementation schedule</i>	Implementation timing	15 лет
	Start of the project	2020
<i>Project budgeting</i>	Project cost, incl.	252 000
	Equity	126 000
	Debt	126 000
<i>Lending terms</i>	Lending period	15 лет
	Interest rate	8% річних
<i>Project profitability</i>	Gross profit of the project	679 396
	Net profit of the project	247 237
	Consolidated cash flow	338 644
<i>Investment attractiveness of the project</i>	WACC	13,0%
	PP (payback period), years	11
	DPP (discounted payback period), years	15
	NPV (net present value)	14 127
	IRR (internal rate of return), %	15%



2. **PROJECT INITIATOR**

The Hlybochytsya united territorial community is located in the Zhytomyr region, borders with the regional center - the city of Zhytomyr. The distance from Zhytomyr to the village of Hlybochytsya (administrative center of the united territorial community) is 11 kilometers. The distance from the village of Hlybochytsya to the city of Kyiv (the capital of Ukraine) is 131 kilometers.

On the territory of the community there are 302 business entities registered, including 201 individual entrepreneurs and 101 legal entities. Shopping outlets - 58, including 17 stores, 10 gas stations, 6 catering establishments.

The Hlybochytsya united territorial community has a favorable geographical location with significant logistic and transit potential.

The international road E40 (Ukraine, Poland, Germany, Belgium, France) and the Kyiv-Chop M06 road, which provide freight and passenger flows to national, regional and transit international transport flows, pass through the UTC.

The traffic volume of vehicles (cars and trucks) per day on the route Kyiv-Chop is 7800 units.

The transport interchange costing UAH 200 million on the territory of the Hlybochytsya United Territorial Community has no analogues in Ukraine. There were constructed 3 overpasses, 10 kilometers of main traffic and hills. The intensity of the traffic in the location is 48 thousand cars a day.

The construction of the airport is at the final stage at the territory of the Hlybochytsya UTC, and an extension of the runway is planned.

Population, employment rate, income level

In 2018, the population density of the Hlybochytsya United Territorial Community is 63 persons / km².

The population in the villages of the community as of today is 6551 people.

On average, the unemployment rate in the villages of the community reaches 40-50%, about 10% of the population have higher education.

The proximity of the Hlybochytsya United Territorial Community to the region center (Zhytomyr) will enable investors, when making positive decisions on the implementation of business projects, to invite labor resources from 10 villages of the community and from Zhytomyr, where more than 25 thousand unemployed people are available.

The average income per one person is 2-3 thousand UAH /month.

Strengths of the community



- developed main transport infrastructure with significant transit potential (E40 and M06 international and national highways);
- the registered airport is located;
- unique geographic location;
- availability of land plots intended for conducting economic activity in the territory of the UTC;
- favorable climatic conditions;
- natural resources;
- the presence of reservoirs;
- tourist attraction.
- infrastructure development

European route E40 - the longest highway in Europe (Ukraine, Poland, Germany, Belgium, France) with a length of 8500 km.

The road runs alongside the settlements of Kmytov, Velykii Kosharyshcha, Berezina, and Hazynka. And in the village of Hlybochytsya E40 passes through a new transport junction - the three-level bridge, which is called unique for Ukraine.

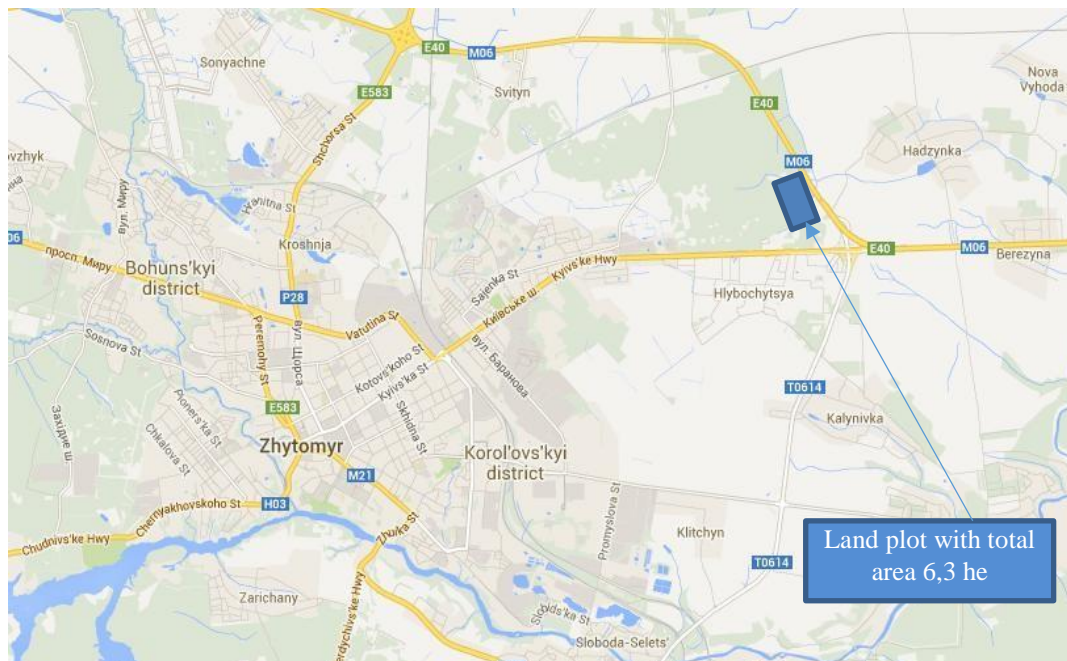
A similar three-level solution is now only in one point in Europe, on the Balkan Peninsula, in Croatia. There are currently no analogues in Ukraine.

The network of gas pipelines situated on the territory of the Hlybochytsya UTC consists of distribution stations.



3. DETAILED DESCRIPTION OF THE PROJECT AND CONSTRUCTION OBJECTS

Construction of the logistic complex is planned on a land plot with a total area of 6.3 hectares, located in Hlybochysya UTC in the Zhytomyr region:



Features of the transport infrastructure:

- Road accessibility
- The nearest highway is Zhytomyr highway
- Direct access to the transport highway



1. Road to Kyiv
2. Road to Zhytomyr



3. Road to Novograd-Volynsky, Rivne, Chop

Available engineering networks:

Electricity



Gas



Type and class of object

Type of object - Logistics complex

Object class - A

Conditions for obtaining Class A for a warehouse property:

Parameters of the project object	Comments
Modern one-storey warehouse building made of lightweight metal constructions and sandwich panels, mostly rectangular without columns or with a step of columns not less than 9 m and with a distance between spans not less than 24 m	Planned
Building area 45-55%.	Project Target 55%
A level concrete floor with an anti-dust coating, with a load of not less than 5 t / m ² , at a level of 1.20 m from the ground.	Planned
High ceilings not less than 10 m, allowing installation of multilevel shelving equipment.	Planned to 12 m
Adjustable temperature mode.	Planned
Ventilation system.	Planned
Availability of fire alarm system and automatic fire extinguishing system.	Creep system fire extinguishing
Alarm system and video surveillance system.	Planned
Availability of a sufficient number of automatic dock shelters with dock levelers (at least 1 per 700 m ²).	It is planned for the first stage - 22 docks, for the second stage - 32 docks.
The presence of sites for the maintenance of heavy vehicles and parking cars.	Planned
Availability of platforms for maneuvering heavy trucks.	Planned
Availability of office space in stock.	The area of administrative premises is 1,000 sq.m.
Availability of auxiliary premises in the warehouse (toilets, showers, utility rooms, lockers for staff).	Planned



Optical fiber telecommunications.	Planned
There is a fenced and one that is guarded around the clock, an illuminated arranged territory.	Planned
Location near the main highways.	See above detailed description of the land
Professional management system.	Planned
An experienced developer.	It is assumed that the investor will be a developer or an experienced player in the logistics market
Availability of the system of account and access control of employees.	Planned
Independent electrical substation and thermal unit.	Planned

List of main warehouse services at the project object as a result of the project implementation:

- *Lease of class A warehouses with the appropriate level of security, automated warehousing processes and special warehouses with temperature control*
- *Loading-shipment, preservation of goods in stock*
- *Clear sorting of goods, division by type*
- *Address storage of goods*
- *Shelf, portable, small-sized, floor, pallet storage*
- *Pre-sales processing (batch formation, packaging, stickers, instructions, etc.)*
- *Checking and sorting of the goods for a shortage check.*
- *Proper preparation of necessary shipping documents.*



4. MARKET ANALYSIS

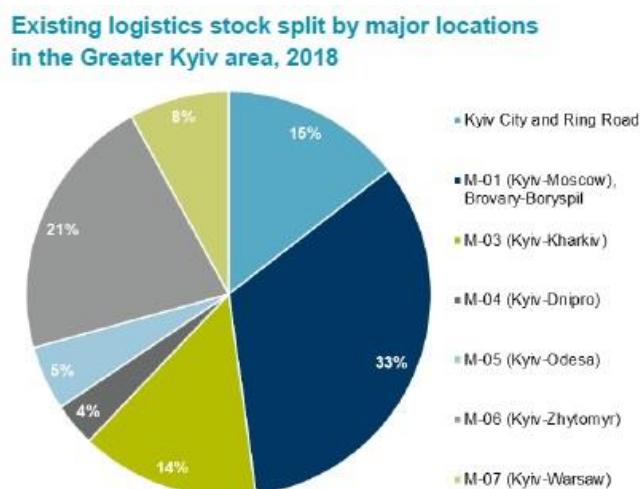
The market of warehouse and logistics real estate in the Zhytomyr region is characterized by a small competition and is presented by only a few companies that can be considered potential competitors for this project.

The largest logistics and warehousing operator is Logistics Company AKRIS LOGISTIK, which provides a complete list of major logistics, cargo handling and warehousing services. The company offers for lease closed warehouses classes A +, A, B, B + and C according to the international classification. The company cooperates with such companies as PJSC "RUD", JSC "AVIS", TM "Batik", TM "VICI", Danone and others like that.

The main warehouses of the company "AKRIS LOGISTIK" are located within the limits of the city of Zhytomyr on the distance to the transport highway Kyiv-Chop (E40, M-06) about 10-12 km. Therefore, the location is worse in comparison with the project object, which indicates the availability of competitive advantages.

Consequently, in comparison with the main competitor, the project has certain competitive advantages. However, for a more detailed understanding of the competitive environment, it is also necessary to analyze the warehouse real estate market in Kyiv and the Kyiv region and its trends. This is especially important for understanding of the pricing policy of the leased warehouses, which is the basis of the cash flow for the analyzed project.

According to the results of 2018 the volume of warehouse premises in Kiev and suburbs with broken down by key locations has the following structure:



Source: Cushman & Wakefield

Chart 4.1. The volume of storage facilities in Kyiv and in the suburbs, broken down by key locations



Thus, Zhytomyr direction is the most loaded and therefore has the greatest demand in comparison with other directions and logistic routes.

Below are data on the dynamics of the new offer of warehouses, rental rates and vacancy rates by the end of 2018.



Chart 4.2. The main indicators of the warehouse and logistics real estate market in Kiev and in the suburbs

The chart is showing the slowdown in the dynamics of rental rates, but this, in addition to the difficult macroeconomic situation and the general downturn in the market due to the conflict in the eastern part of the country, is also explained by the gradual decrease of the UAH exchange rate. In recent years, landlords have often linked the cost of renting warehouses and other services to the UAH base, which has been reflected in the dynamics of the US dollar rental rate.

The cost of rent in Zhytomyr direction, depending on the class, is currently in the range of 2.8 USD per sq.m. per month up to \$ 5 US and above. The average is \$ 4.15 USD, which is UAH 115.5 in UAH equivalent at the rate of the National Bank of Ukraine (USD / UAH = 27.84).

To calculate the financial model of the project, we will use a consensus rate of 100 UAH per sq.m. per month with its subsequent indexation by 2% annually starting from 2nd year of the project. Inflation rate indexation is inappropriate because the correlation between the rental rate dynamics and the Consumer Price Index over the last ten years is very low.

It should also be emphasized that the vacancy rate, which during the years 2013-2015 had a negative dynamics for the market, decreased significantly in 2017-2018. Forecasts of Colliers international and Cushman & Wakefield market experts indicate that this dynamics will continue in



2019 and during the coming years, which is the basis for the stability of rental rates and even their gradual growth in dollar terms in the medium term, subject to minimal exchange rate fluctuations.

In 2018, the tendency towards a new offer in the warehouse real estate market also changed, and forecasts for 2019 indicate the commissioning of several large logistics complexes. However, it should be understood that new objects have been and will be built for a specific customer, which is not evidence of a significant recovery in demand for warehouse real estate.



5. CONSTRUCTION COSTS

Estimates of the project are based on the following assumptions:

№	Object description:	Units	Amount
1.	Land plot	he	6,3
2.	There are 2 warehouses on the territory:	sq.m.	36 000
	• 1 queue (includes 1 000 sq. M of office space)	sq.m.	16 000
	• 2nd line	sq.m.	20 000
3.	Column Pitch	M	22,5 x 12
4.	The cost of construction is 1 sq.m. warehouse complex	USD/sq.m.	250
		UAH/sq.m.	7 000

Thus, the total amount of the estimate is:

- in US dollars: $36,000 * 250 = \text{USD } 9,000,000$
- in UAH: $36\ 000 * 7\ 000 = \text{UAH } 252\ 000\ 000$

The preliminary structure of the construction costs is calculated as a percentage of the total. Part of the budget items is distributed according to the sq.m. of each stage, and some budget items should preferably be completed during the construction of the first phase of the project.

№.№	List of works	% estimate (analogue approach)	Cost per 1 sq.m., UAH	% of works in the 1 st stage	% of works in the 2 nd stage	Total costs of 1 st stage	Total costs of 2 nd stage	Total
1	Project work	1,4%	96	100,0%	0,0%	3 446 764	0	3 446 764
2	Temporary buildings and structures, communications and access roads.	0,7%	49	44,4%	55,6%	788 012	985 015	1 773 027
3	Earthworks: development, moving, backflow	3,8%	268	44,4%	55,6%	4 294 354	5 367 942	9 662 296
4	Foundations	7,5%	522	44,4%	55,6%	8 357 736	10 447 169	18 804 905
5	Installation of metal structures of the building frame	11,9%	832	44,4%	55,6%	13 306 106	16 632 633	29 938 739
6	Installation of the secondary steel structures	0,6%	43	44,4%	55,6%	688 407	860 509	1 548 916
7	Fire protection of metal structures	1,9%	133	44,4%	55,6%	2 134 961	2 668 701	4 803 661
8	Installation of a soft roof	9,4%	659	44,4%	55,6%	10 536 494	13 170 617	23 707 111
9	Installation of floor coverings	2,8%	198	44,4%	55,6%	3 169 108	3 961 385	7 130 493
10	Installation of external and internal walls, decoration of the base panel	5,6%	389	44,4%	55,6%	6 219 027	7 773 783	13 992 810
11	Installation of internal staircase marches and stairs	0,4%	30	44,4%	55,6%	482 001	602 501	1 084 501
12	Services in installation of floors	13,0%	907	44,4%	55,6%	14 504 175	18 130 218	32 634 393
13	Filling the outer door openings	0,4%	27	44,4%	55,6%	430 780	538 475	969 255
14	Filling out the external window openings	0,5%	34	44,4%	55,6%	551 608	689 510	1 241 119
15	Installation of docking equipment and sectional gates	4,0%	278	44,4%	55,6%	4 454 237	5 567 797	10 022 034
16	Installation of fire gates	0,5%	32	44,4%	55,6%	516 936	646 170	1 163 106
17	Finishing works	3,2%	224	44,4%	55,6%	3 590 379	4 487 974	8 078 353
18	Internal networks	16,0%	1119	44,4%	55,6%	17 907 176	22 383 971	40 291 147
19	External networks	4,5%	317	75,0%	25,0%	8 563 719	2 854 573	11 418 292



20	Diesel generator	0,6%	41	100,0%	0,0%	1 477 522	0	1 477 522
21	Amenties	9,4%	657	44,4%	55,6%	10 519 901	13 149 876	23 669 777
22	Electricity supply	1,7%	118	75,0%	25,0%	3 191 448	1 063 816	4 255 264
23	Gas supply	0,4%	25	75,0%	25,0%	664 885	221 628	886 513
Total		100,0%				119 795 736	132 204 264	252 000 000

Thus we obtain the following amounts of capital investment during the first two years of the project, when construction of two stages of the logistics complex will take place:

- 1st year = 119 796 thousand UAH.
- 2nd year = 132,204 thousand UAH.



6. SALES

The main source of revenues under this project is the lease of warehouses. Subsequently, depending on the investor and the specifics of his operations and specialization, this variant may be supplemented with a complete list of logistics and warehousing services that the investor will be able to provide on the territory of the logistics complex. The indicated extension of the list of services will only increase the marginality of the basic version of the project through increased profitability of 1 sq. M. warehouse space, despite the partial growth of certain operating expenses.

Therefore, the forecast of **income** in the framework of the project is based on the following assumptions:

- Basic rental cost for 1 sq.m. per month is 100 UAH. Further indexing - 2% per annum. A detailed justification is given in the previous section of the market analysis.
- The introduction of the first stage of the project is expected at the end of the first year, and the second - at the end of the second year.
- Vacancy rates are not taken into account, because the period of construction and commissioning of an object is possible in shorter terms (8-9 months) depending on the full financing availability. Consequently, the project has a time lag to fill the logistics complex with the tenants.

Thus, we have the following income forecasts in the project:

	Total income, TUAH	Lease pricing per 1 sq.m., UAH	Indexation, % per annum	Sq.m., 1 stage	Sq.m., 2 stage	Operation activity in months, 1 stage	Operation activity in months, 2 stage
1 year	-	100	0%				
2 year	19 584	102	2%	16 000	20 000	12	
3 year	44 945	104	2%	16 000	20 000	12	12
4 year	45 844	106	2%	16 000	20 000	12	12
5 year	46 761	108	2%	16 000	20 000	12	12
6 year	47 696	110	2%	16 000	20 000	12	12
7 year	48 650	113	2%	16 000	20 000	12	12
8 year	49 623	115	2%	16 000	20 000	12	12
9 year	50 616	117	2%	16 000	20 000	12	12
10 year	51 628	120	2%	16 000	20 000	12	12
11 year	52 661	122	2%	16 000	20 000	12	12
12 year	53 714	124	2%	16 000	20 000	12	12
13 year	54 788	127	2%	16 000	20 000	12	12
14 year	55 884	129	2%	16 000	20 000	12	12
15 year	57 001	132	2%	16 000	20 000	12	12
Total	679 396						



7. RISK ANALYSIS AND SWOT-ANALYSIS

Risk analysis

Project risks list	Risk probability	Risk weight	Risks mitigation strategy
Bureaucratic (administrative)	Low	Average	Involving an investor to build a logistics complex on the territory of the Hlybochytsya UTC is one of the strategic priorities of the UTC management. Thus, the project and the investor will have the most favorable conditions for the required bureaucratic stages of the project (development and approval of the project documentation, obtaining the necessary licenses and permits, etc.)
Technological risks	Average	Low	When implementing the project, it is planned to engage the company for technical supervision, which has long experience in the field of implementation of similar projects.
Applicability loss risk	Low	Low	Similar projects and complexes in the region are almost absent or have a less attractive location, which significantly increases the potential demand for a project premises.
Consumer risks	Low	High	Detailed market analytics and forecasts from the two major real estate consulting firms (Colliers international and Cushman & Wakefield) are evidence of at least sustainable demand in the region. The project will also be able to take over part of traffic and warehouse logistics in Kyiv and Kyiv region, especially in the direction of the E-40. The availability of a detailed marketing plan and anchor tenants will be an important factor in choosing a potential investor.
Supplier risk	Low	Low	The supplier for this model of project implementation is the construction materials suppliers at the stage of the logistics complex construction. Considering the project's importance for the region and the large amount of investment, the supplier(s) will be chosen



			with significant market experience and proven reputation. In any case, there is high competition in the market of construction materials and developers due to lack of demand in the region, which is expected to attract high-quality executives and suppliers for the project with appropriate prices.
Projects costs increase risks	Average	Average	<p>The increase in the project costs is primarily possible due to the foreign currency component of the planned equipment and materials for the object.</p> <p>The project has a certain margin of financial strength, which will withstand the potential increase in costs.</p> <p>During the construction process, additional optimization of the materials from foreign to the Ukrainian manufacturer is possible in order to reduce costs, provided that they are of appropriate quality.</p>
Creditor risk	Low	High	If investors attract alternative funding sources, the investor should minimize the creditor risks. The best option is to attract international lenders or their consortium (EBRD, IFC, etc.).
Exchange risks	Average	Average	<p>The project provides step-by-step financing, which will allow as quickly as possible to react to changes in the exchange rate and optimize the currency component of building materials and equipment.</p> <p>If necessary, it is possible to use foreign currency derivatives to mitigate the currency fluctuation risks at the stage of loan repayment.</p>

SWOT-analysis

<i>Strengths</i>	<i>Opportunities</i>
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- High quality the logistics complex of the "A" class;
- Effective location of the Project with the availability of all necessary networks and communications;
- Usage during the construction stage of the latest achievements and technologies, as well as high-quality materials;
- Sophisticated marketing and pricing policies of the company;
- Implementation of the project by experienced and skilled specialists.

- Use of favorable conditions for land plot lease with the subsequent possibility of its redemption;
- Strengthening of competitive positions of the enterprise and expansion of the client base;
- Involving a large number of potential customers;
- Receipt of proper net profits by the Investor;
- Going to the leading position in the warehouse logistics market of the region;
- Increase of the market value of the enterprise.

Weaknesses

- Low purchasing activity on the Ukrainian real estate market;
- Necessity to attract credit funds;
- Dependence on exchange rate fluctuations.

Threats

- Insufficient level of solvent consumer demand;
- The threat of delay or failure of the project timeline;
- Increase in the cost of the construction works;
- The threat of delay or failure of materials and equipment supplies and, as a consequence, postponed completion of the construction works,
- Lower demand, prices for premises lease;
- Reduced prices by competitors;
- Natural disasters.



8. ФІНАНСОВИЙ ПЛАН ТА ОЦІНКА ЕФЕКТИВНОСТІ ПРОЕКТУ

The development of a financial model is carried out with the following assumptions (some of these assumptions are already justified in previous sections of the business plan):

Основні припущення моделі	Од. виміру	Значення
1 queue of the project, including	sq.m	16000
warehouse	sq.m	15000
office space	sq.m	1000
2nd stage of the project	sq.m	20000
The cost of construction is 1 sq.m. warehouse complex	dollars USA	250
The term of the project implementation	years	15
Cost of equity capital	% for a year	18%
Cost of attracted capital	% for a year	8%
Own participation in the project	%	50%
Rate USD / UAH 2018		28
Income tax	%	18%
Term of depreciation of the logistic complex	years	20
Liquidation value (to calculate depreciation)	% of the original	10%
The current rent costs for 1 sq.m. of the premises	UAH per sq.m.	100

It should be noted that the current financial model includes the assumption that the investor is to attract external financing in total amount of 50% of the project costs.

Project funding

Implementation of the project is planned in two stages with the corresponding financing.

Total 2 stages	252 000	months	1	2	3	4	5	6	7	8	9	10	11	12
1 stage	119 796	100%	8%	15%	10%	11%	10%	13%	7%	7%	5%	5%	3%	6%
2 stage	132 204	100%	20%	17%	13%	13%	10%	10%	10%	7%				

1 stage		UAH	9 584	17 969	11 980	13 178	11 980	15 573	8 386	8 386	5 990	5 990	3 594	7 188
2 stage		UAH	26 441	22 475	17 187	17 187	13 220	13 220	13 220	9 254	0	0	0	0

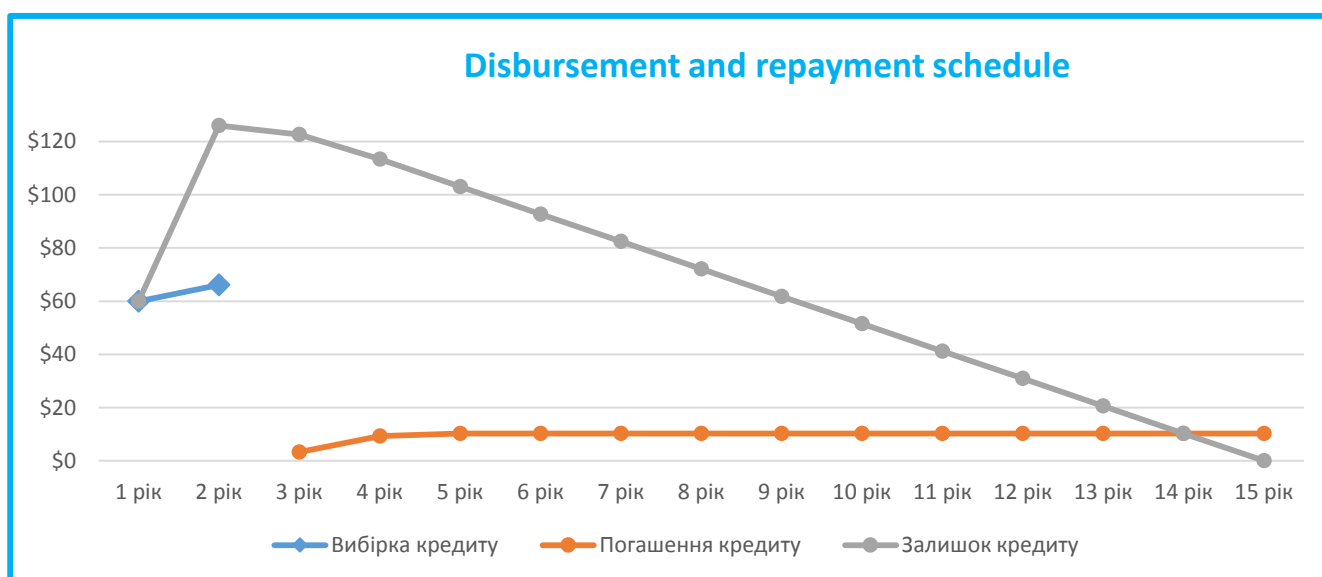
Considering the attracted by 50% of the project cost, we will have the following financing structure for the project:

Equity	50%		
	Units	Total 1 st year	Total 2 nd year
Total project costs, incl.	TUAH	119 796	132 204
• equity	TUAH	59 898	66 102
• debt	TUAH	59 898	66 102



Thus, the project has the following financing schedule with the corresponding interest deductions for servicing the debt:

Disbursement and repayment schedule	1 рік	2 рік	3 рік	4 рік	5 рік	6 рік	7 рік	8 рік
Loan disbursement	59 898	66 102	0	0	0	0	0	0
Loan repayment	0	0	3 345	9 348	10 301	10 301	10 301	10 301
Current debt	59 898	126 000	122 655	113 307	103 007	92 706	82 405	72 105
% accrued	2 827	8 533	9 972	9 462	8 653	7 829	7 004	6 180
Графік фінансування	9 рік	10 рік	11 рік	12 рік	13 рік	14 рік	15 рік	ЗАГАЛОМ
Loan disbursement	0	0	0	0	0	0	0	126 000
Loan repayment	10 301	10 301	10 301	10 301	10 301	10 301	10 301	126 000
Current debt	61 804	51 503	41 203	30 902	20 601	10 301	0	0
% accrued	5 356	4 532	3 708	2 884	2 060	1 236	412	80 650



The loan is expected to be repaid on a quarterly basis in accordance with the project costs necessity. Repayment of the loan involves delaying the repayment of the loan amount by 24 months for each tranche. Thus, the payment for each tranche received begins (24 months from the moment of disbursement) in equal installments until the end of the project implementation period.

Capital expenditures and project revenue

See relevant sections of the business plan.

Operational expenditures

The project proposes the following consensus structure of operating expenses as a percentage (%) to project revenues:

Structure of operating expenses	in % of revenues
Staff costs	2,0%
Administrative Expenditures	1,0%
Advertising costs	0,5%



Rent land	1,0%
Communications and business trips	0,5%

Consequently, we have the following operating costs during the project implementation period:

	1 year	2 year	3 year	4 year	5 year	6 year	7 year	8 year
Project operating costs	-	979	2 247	2 292	2 338	2 385	2 433	2 481
Project operating costs (VAT excluded)	-	881	2 023	2 063	2 104	2 146	2 189	2 233
Staff costs	-	392	899	917	935	954	973	992
Administrative Expenditures	-	196	449	458	468	477	487	496
Advertising costs	-	98	225	229	234	238	243	248
Rent land	-	196	449	458	468	477	487	496
Communications and business trips	-	98	225	229	234	238	243	248
	9 year	10 year	11 year	12 year	13 year	14 year	15 year	Total
Project operating costs	2 531	2 581	2 633	2 686	2 739	2 794	2 850	33 970
Project operating costs (VAT excluded)	2 278	2 323	2 370	2 417	2 465	2 515	2 565	30 573
Staff costs	1 012	1 033	1 053	1 074	1 096	1 118	1 140	13 588
Administrative Expenditures	506	516	527	537	548	559	570	6 794
Advertising costs	253	258	263	269	274	279	285	3 397
Rent land	506	516	527	537	548	559	570	6 794
Communications and business trips	253	258	263	269	274	279	285	3 397

Profit & Losses – P&L

Taking into account all the assumptions and inputs in the project, described and detailed above, the project has the following forecasted profit and losses:

	1 year	2 year	3 year	4 year	5 year	6 year	7 year	8 year
Total revenue (excluding VAT)	-	16 320	37 454	38 203	38 968	39 747	40 542	41 353
Cost of production	-	-	-	-	-	-	-	-
Total revenue	-	16 320	37 454	38 203	38 968	39 747	40 542	41 353
Operating expenses (VAT excluded)	-	(881)	(2 023)	(2 063)	(2 104)	(2 146)	(2 189)	(2 233)
EBITDA	-	15 439	35 432	36 140	36 863	37 601	38 353	39 120
Amortization	-	(5 391)	(11 340)	(11 340)	(11 340)	(11 340)	(11 340)	(11 340)
EBIT	-	10 048	24 092	24 800	25 523	26 261	27 013	27 780
% repayment	(2 827)	(8 533)	(9 972)	(9 462)	(8 653)	(7 829)	(7 004)	(6 180)
Profit before tax	(2 827)	1 515	14 119	15 338	16 871	18 432	20 008	21 599
Tax - 18%	-	(273)	(2 541)	(2 761)	(3 037)	(3 318)	(3 601)	(3 888)
Net profit	(2 827)	1 242	11 578	12 577	13 834	15 114	16 407	17 711
	9 year	10 year	11 year	12 year	13 year	14 year	15 year	Total
Total revenue (excluding VAT)	42 180	43 023	43 884	44 761	45 657	46 570	47 501	566 163
Cost of production	-	-	-	-	-	-	-	-
Total revenue	42 180	43 023	43 884	44 761	45 657	46 570	47 501	566 163
Operating expenses (VAT excluded)	(2 278)	(2 323)	(2 370)	(2 417)	(2 465)	(2 515)	(2 565)	(30 573)
EBITDA	39 902	40 700	41 514	42 344	43 191	44 055	44 936	535 590
Amortization	(11 340)	(11 340)	(11 340)	(11 340)	(11 340)	(11 340)	(11 340)	(152 811)
EBIT	28 562	29 360	30 174	31 004	31 851	32 715	33 596	382 779
% repayment	(5 356)	(4 532)	(3 708)	(2 884)	(2 060)	(1 236)	(412)	(80 650)
Profit before tax	23 206	24 828	26 466	28 120	29 791	31 479	33 184	302 129
Tax - 18%	(4 177)	(4 469)	(4 764)	(5 062)	(5 362)	(5 666)	(5 973)	(54 892)
Net profit	19 029	20 359	21 702	23 059	24 429	25 813	27 211	247 237

Cash Flow – CF

CF from operational activities

	1 year	2 year	3 year	4 year	5 year	6 year	7 year	8 year
EBIT	-	10 048	24 092	24 800	25 523	26 261	27 013	27 780



TOTAL CF	<u>11 885</u>	<u>13 052</u>	<u>14 228</u>	<u>15 414</u>	<u>16 611</u>	<u>17 818</u>	<u>277 467</u>	<u>338 644</u>
CUMULATIVE TOTAL CF	<u>(15 945)</u>	<u>(2 893)</u>	<u>11 335</u>	<u>26 749</u>	<u>43 360</u>	<u>61 177</u>	<u>338 644</u>	
Discounted Total Cash Flow	3 956	3 845	3 709	3 556	3 391	3 219	44 364	14 127
Cumulative Discounted Total Cash Flow	(47 958)	(44 113)	(40 404)	(36 848)	(33 457)	(30 237)	14 127	

The discounting of the total cash flow was based on a weighted average cost of capital (WACC) at the level of 13%.

On the basis of the forecast cash flow statement, we will calculate the project's performance indicators:

Performance indicators	Result
Payback period, years	11
Discounted payback period, years	15
Internal Rate of Return (IRR),%	15%
Net present value (NPV)	14 127

Given the positive value of the NPV and the IRR, the project can be considered appropriate for investment.



9. CONCLUSIONS

During the project implementation it is planned to build 2 stages of the logistics complex with a total area of 36,000 sq.m. in the **Hlybochytsya united territorial community (Hlybochytsya UTC)** on a land plot of 6.3 hectares.

The initiator of the project is Hlybochytsya UTC, located in the Zhytomyr region, bordered by the regional center - the city of Zhytomyr. The distance from Zhytomyr to the village of Hlybochytsya (administrative center of the united territorial community) is 11 kilometers. The distance from the village of Hlybochytsya to the city of Kiev (the capital of Ukraine) is 131 kilometers.

The land plot for the project has a **unique location** near the transport corridor E-40 (route M06), which creates significant competitive advantages for the project implementation.

The warehouse and logistics real estate market in Zhytomyr region has low level of the competition and is presented by only a few companies that may be considered potential competitors for the project, but they have less attractive logistic premises, especially considering their location.

The market analysis and forecasts of market experts indicate **the stability of rental rates, even in dollar terms, in the medium term** under the conditions of minimal exchange rate fluctuations.

The project costs were prepared on the analogue method and intend to fulfill all the conditions to **obtain the class A for the project logistics complex** after its commissioning.

The project risk analysis shows the **availability of acceptable risk mitigation mechanisms** and appropriate influence on the further project implementation.

A detailed financial plan and performance analysis prove the investment attractiveness of this project. **The payback period** of the project is 11 years, and the discounted payback period is 15 years. The discounted payback of the project actually comes upon the sale of the logistics complex, so the investor, under favorable conditions in the real estate market, will have the opportunity to withdraw from the project earlier than at the specified tenor.

The **NPV** of the project amounts to 14.1 million UAH and is positive, indicating the existence of the project's margin of safety under the influence of negative factors on the project implementation. **The internal rate of return (IRR)** is 15%, which indicates about possible additional income for the investor within the project implementation.