

Stefan Sandström CEO

Funding needs: £1.7M



Energy efficient aeration for industry



# Market opportunity

## Global market

- Global wastewater aeration market, £4.8bn, and growing
- Environmental legislation spurs market growth (EU: Water Directive 2015)

## Addressable annual market

- UK utilities (£13M or 800 units)
- Sweden urban wastewater (£4.5M or 280 units)
- Sweden industrial wastewater (£2.6M or 160 units)
- Other international markets (to be explored)
  
- Sales price: £16-20,k per unit

# Customer problem

## Aeration energy costs

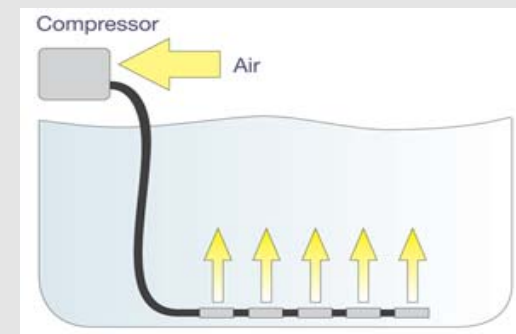
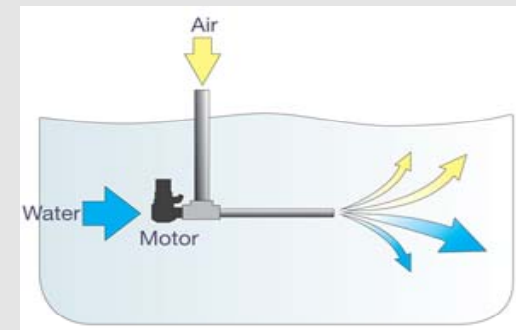
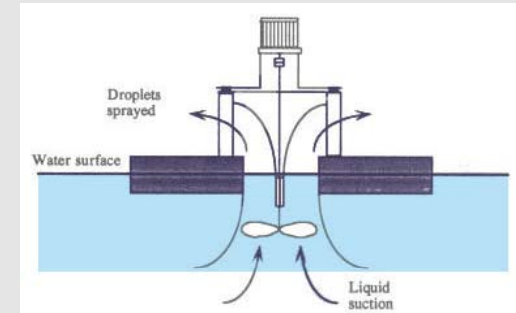
- UK utilities: >£60M
- Wastewater: 30% of operating costs

## Retro-fitting

- Expensive downtime
- Remove old infrastructure
- Retro-fit new system

## Today's technologies

- Surface aerators
- Jet aerators
- Diffuser systems



# Our solution – Microluft®

## Technical solution

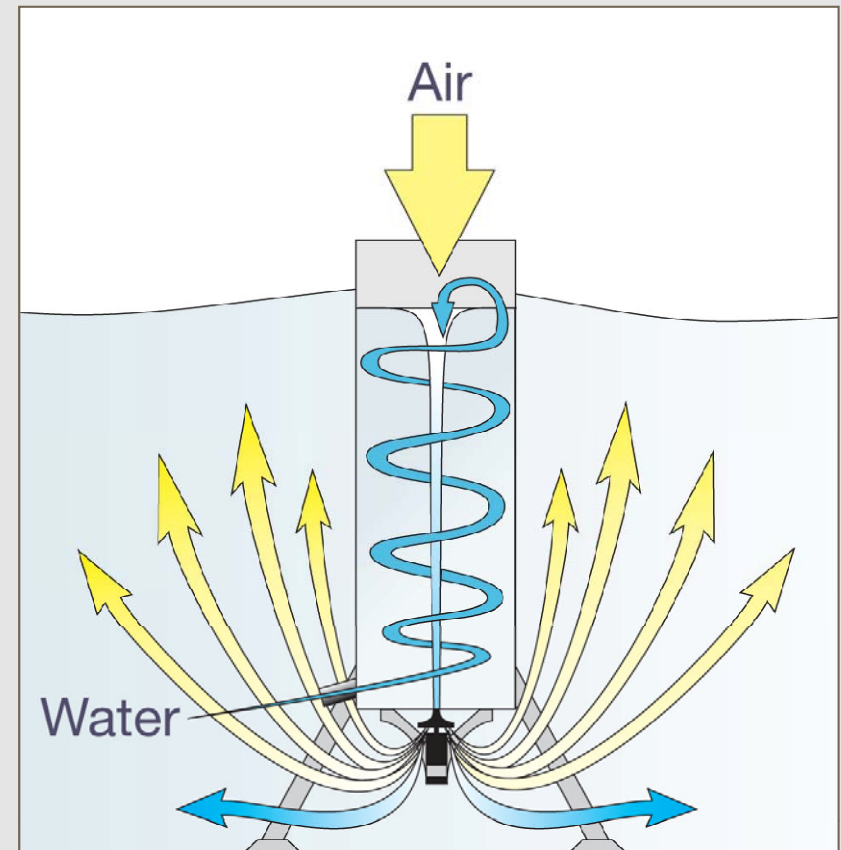
- Entraines atmospheric air

## Customer benefits

- Energy savings
- Retro-fitting

## Consulting/installation

- 40 aerators, £800k deal
  - 5 man-days consulting
  - 18 man-days installation





# Microluft®



Slide: 5



# IP and patents

## IP today

- Patent pending over water inlets (technology and method)
- Patent pending over impeller, modification to the wear plate and arrangement
- Trademarks, domain names
- Freedom to operate assessed by Zacco

# Business cases

## VIDA Paper (industrial wastewater)

- Situation: 16 old aerators, violating regulation, risk shut down
- Action: Installed 5 Microluft aerators
- Result: VIDA will meet legal requirements

## Scottish Water (urban wastewater)

- Situation: Old infrastructure. £7M electricity cost
- Action: Installed 1 Microluft
- Result: Anticipated £4.7M savings p.a. and viable retro-fit

## Karlskrona (drinking water production)

- Situation: Need to retro-fit aeration: legal requirement
- Action: 1 Microluft against state-of-the-art diffuser system
- Result: Client will purchase 3 aerators in 2012

# Gross margin

<b>Unit price £</b>		<b>16,000</b>
Motor unit	1,700	
Aerator housing	620	
Installation	440	
Freight	590	
Other	583	
	<hr/>	
<b>Total COGs</b>	<b>3,933</b>	
	<hr/>	
<b>Gross Margin</b>		<b>12,067</b>
	<hr/>	
<b>GM %</b>		<b>75%</b>
	<hr/>	

## Opportunity to increase price

- Recently increased
- Energy costs

## Opportunity to reduce COGs

- Bulk buying
- Value engineering



# Business model

## Aim :

### Sales & marketing model

Core business of product development and IP

## How :

Step 1: Outsourcing manufacturing/assembly (Currently negotiating with KWH Pipe)

Step 2: Outsourcing installation and service

# Vision

**”Microluft to be recognised as the best aerator in the world”**

# Milestones

## Status today

- £168k sales, 10 customers in 2010
- £120k sales, 3 customers in Q1 2011
- 2 patents pending
- Senior team assembled incl. board
- Microluft 100% standardised

## Milestones 2011

### H1




- Quality management in place
- IP action plan underway
- Secure funding

### H2

- Team under contract, full time
- Secure repeat orders
- Business processes
  - Production planning, accounting, sales processes
  - £650k revenue, 40 aerators

# Management team

All people have over 15 years relevant experience

Management	 <b>Stefan Sandström</b> CEO	 <b>Bo Ligner</b> Marketing Director	 <b>Christine Rosencrantz</b> interim CFO	(TBA) Technical Director	Axel Fredriksson R&D
Managing rapid growth	☒	☒	☒		
Key Account Mgmt	☒	☒			
Project Mgmt engineering	☒			☒	
R&D					☒

# Financials

£'000	2010	2011	2012	2013	2014	2015
Revenues	168	677	2,488	4,458	13,033	23,640
GM %	51%	52%	75%	75%	76%	76%
GM	86	352	1,866	3,344	9,905	17,966
Overheads	72	1,000	2,247	2,766	3,142	3,423
Operating profit (loss)	3	(672)	(438)	499	6,669	14,467

## Balance sheet, Dec 2010 (£)

Fixed Assets	14,000
Current Assets	80,000
<i>Cash</i>	38,623
Current liabilities	63,535
<b>Net Assets</b>	<b>30,304</b>

**Capital & Reserves**      **30,304**

# Use of funds

Salaries	570k
Sales, marketing & travel	270k
Equipment	75k
Other operating expenditure	585k
<i>Contingency</i>	<i>200k</i>
<b>Total Funds</b>	<b>£1.7M</b>



# Sales pipeline

- Sales cycle 6-7 months
- Pipeline
  - 11 Proposals £0.5M
  - In addition KAM £0.3M
  - Further, 18 potentials £0.5M
  - Total pipeline: £1.3M
  - Expected sales: £0.5 M
- For 2011: 33 units allocated out of 40 units

# Sales forecast

	2011	2012	2013	2014	2015
<b>Sales (£)</b>					
Sweden	557,000	1,048,000	2,258,400	3,909,900	7,092,000
UK	120,000	1,440,000	5,269,600	9,123,100	16,548,000
<b>TOTAL</b>	<b>677,000</b>	<b>2,488,000</b>	<b>7,528,000</b>	<b>13,033,000</b>	<b>23,640,000</b>
<b>Units</b>					
Sweden	34	65	161	253	352
UK	6	72	243	413	873
<b>TOTAL</b>	<b>40</b>	<b>137</b>	<b>404</b>	<b>666</b>	<b>1,225</b>
<b>Clients</b>					
Sweden	11	13	19	24	31
UK	1	1	4	6	7
<b>TOTAL</b>	<b>12</b>	<b>14</b>	<b>23</b>	<b>31</b>	<b>38</b>

# Investor returns

## Exit

- ITT, Cardo Flow, Atlas Copco, Sultzer etc

## Investment multiple

- Expectation is to return 10x investors original stake

## Shareholder structure

- Stefan Sandström 81%
- Business angel 9%
- 50 small B-share holders 10%

# Risk assessment

Risk	Impact	Probability
Adoption rate of UK Utilities	H	M
Building a performing sales team	H	L
Water Directive not implemented	M	L

# Thank you!

**For more info, please contact:**

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