

## Endeavor Candidate Summary Form - Candidate Profile – COMPANY

Company:	<b>COMPANY</b>	Country:	<b>Uruguay</b>
Candidate Name:	<b>Francisco</b>	Industry:	<b>Water and wastewater management</b>
Year Founded:	<b>1990</b>	Employees:	<b>23</b>
Sales:	<b>US\$ 1.5 MM (2004)</b>	Financing Stage:	<b>Self-financed</b>
Website & e-mail:	<b>www.COMPANY.com.uy</b>		
Mission:	<b>To be a Latin American leader in providing water and wastewater treatment solutions.</b>		

## 1. THE ENTREPRENEUR AND THE IDEA

In South America, 150 million inhabitants lack drinkable water and wastewater management. Implementing service to cover these needs requires an investment of US\$22 billion. Francisco (43) is developing new solutions to solve this problem. In 1990 he acquired COMPANY, a struggling civil engineering consulting firm, and developed technologies to economically improve the efficiency of water supply systems. In 2001, COMPANY was awarded a patent for water-treatment devices that can produce drinkable water or recycle wastewater. These devices are 30% cheaper and 80% more efficient than traditional methods. Today, Francisco is focused on selling his water-treatment devices to small urban communities throughout Latin America. COMPANY employs 23 qualified professionals and expects revenues of US\$5.9MM in 4 years.

Francisco was born in a rural town in Uruguay and then moved to Montevideo to attend University. In 1983, at age 23, he graduated as a civil engineer with a specialization in hydraulics. To pay for his expenses, he held several positions at UTE (a local electricity operator) and OSE (a local water operator). In 1990, convinced that he could transform the inefficient water and wastewater management sector in Uruguay - where 52% of water was lost - Francisco left his job at OSE (where life-long employment is the norm) and used his entire savings to purchase COMPANY. Initially Francisco provided engineering consulting services for water and wastewater system operators. COMPANY became a world pioneer in a number of advanced technologies. It designed the world's largest water-treatment plant for SABESP, Sao Pablo's water operator which has more than 8 million household connections. COMPANY was hired by the International Finance Corporation (IFC), a member of the World Bank Group, to provide consulting services to several Chinese companies. Through these and other experiences, COMPANY grew quickly and developed a state-of-the-art R&D department. With their patent awarded in 2001, the company initiated the move away from its consulting service towards a more product-oriented business model.

COMPANY's proprietary water-treatment devices became a revolutionary solution for communities ranging from 10,000 to 300,000 inhabitants and industrial projects with similar quantities of water needed. Because of their cost, efficiency and ability to be easily transported, the company's devices are being increasingly demanded by this market segment which remains unattended by multinational corporations. COMPANY's devices apply the latest technologies, such as Dissolved Air Flotation, that only six companies in the world have successfully applied for practical uses in water-treatment field. Furthermore, Francisco has over ten years of experience in the use of these technologies. Currently, the company has entered the tough Brazilian market. The company has already sold various water-treatment devices there and expects the market to continue to grow.

Though Francisco has technical expertise, he now needs assistance marketing his water-treatment devices on a global scale. Endeavor could play a fundamental role in his future growth and in the growth of this important industry. Particularly, Endeavor could help Francisco develop funding models in order to promote sales.

Francisco has a strong commitment to social issues. He has involved COMPANY in projects aimed at elevating the living conditions of underprivileged citizens by improving their water treatment. COMPANY has applied technologies that significantly reduced the cost of water treatment for MEVIR, an organization whose objective is to eradicate inadequate rural housing in Uruguay. To date, COMPANY has been involved in the improvement of 250 urban developments together with MEVIR.

## 2. THE BUSINESS

COMPANY is highly conscientious of environmental issues; accordingly, environmental impact studies are routinely performed and supervised by COMPANY's laboratory at every stage of the project. Since the year 2002, the company has also complied with international ISO quality standards.

### 2.1: Products/Services

- **Water-treatment devices** (25% of sales with a target of 60%): COMPANY has designed proprietary Drinking Water Treatment Devices (DWTP) and Wastewater Treatment Devices (WWTP). DWTP are used to treat water from rivers and lakes to produce drinking water according to US and European Union standards. WWTP are used to recycle

wastewater before it is discharged into large bodies of water. COMPANY commercializes its DWTP and WWTP through turn-key projects. The following chart describes COMPANY's DWTP and WWTP advantages against traditional methodologies:

	<b>Traditional Methods</b>	<b>COMPANY's proprietary designs</b>
<b>A) Drinking Water Treatment Devices (DWTP)*</b>		
Cost (monetary units):	1	0.7
Productivity (volume):	1	8
Technology applied:	Sedimentation & Filtration	Dissolved Air Flotation Filtration (DAF)
<b>B) Waste Water Treatment Devices (WWTP)**</b>		
Cost (monetary unit):	1	0.6
Productivity (volume):	1	5
Technology applied:	Biological Treatment (activated sludge or trickling filters)	Coagulation Enhanced Primary Treatment (CEPT) + DAF clarification + Biological DOM treatment

\*DWTP accounts for 80% of water-treatment devices total sales.

\*\*WWTP accounts for 20% of water-treatment devices total sales.

Other characteristics of COMPANY's DWTP and WWTP include:

- ✓ Automated and long-distance control.
- ✓ Factory-assembled inside standard containers for easy transportation.
- ✓ Stainless steel containers, which are more durable, and have less operational and maintenance costs.
- ✓ Various pre-manufactured models for both urban canter and industrial plants.
- ✓ Self-washing filter system.



DWTP for 25.000 inhabitants.

- **Consulting Services** (40% of sales with a target of 10%): COMPANY assists its clients in hydraulic and environmental engineering by increasing their productivity in the water-treatment field. Today, by maintaining a strong R&D department and expertise on the latest technologies, COMPANY continues to improve their market image and proficiency as a marketing tool to gain and develop clients' trust.
- **BOOT businesses (Build, Owned, Operate and Transfer)** (35% of sales with a target of 30%): The company was involved in two BOOT businesses as water operator for towns in Uruguay, in a project called "Aguas de la Costa", and in Brazil, in the "Aguas de Cajamar" project. COMPANY exchanged its engineering services in water treatment for a percentage of ownership in each project. BOOT businesses are long-term contracts that pay according to water consumption. "Aguas de la Costa" proved highly profitable as 60% was sold to the multinational firm Aguas de Barcelona for US\$6.4 million.

## 2.2: Market

In Latin America, where some 150 million people lack treated water, 30% of these inhabitants lack drinkable water and 90% lack treated wastewater. COMPANY's target segment of urban areas ranging from 10,000 to 300,000 inhabitants represents 30% of the total market.

COMPANY's current market penetration in Latin America:

- **Brazil** (40% of revenues): COMPANY began its internationalization by entering the Brazilian market where the potential for COMPANY's water-treatment devices is tremendous; for example, the total investment required for

implementing drinking water supply systems and wastewater services in Brazil would approach US\$10 billion. COMPANY has established a commercial office in Santa Catarina to service the southeast region of Brazil. In order to enter the northeastern market, the company has partnered with BBL, the leading Brazilian firm in the water and wastewater management industry.

- **Uruguay (60% of revenues):** COMPANY possess 60% of the market in the water-treatment devices. Francisco believes that COMPANY has reached a limit in the local market. It is expected that this market will not grow in the near-term due to a lack of new large investment projects.
- **Other countries in Latin America:** COMPANY is starting to enter Ecuador, Costa Rica, Venezuela and Mexico by establishing local contacts with key players on the water systems market.

### 2.3: Clients

- **Water operators (60% of sales):** Federal, state, and local government agencies are often the water operators. Clients include: OSE (Uruguay), IMM (Montevideo), SABESP (Sao Paulo), CASAN (Santa Catarina), CORSAN (Rio Grande do Sul), Aguas de Guariroba (Mato o do Sul) and DESO (Sergipe, Brazil).
- **Companies developing urban infrastructure projects (10% of sales):** Construction firms, design studios and other companies with development projects involving 50 to 1,000 units, such as apartments, hotels, public buildings, schools and hospitals.
- **Factories (30% of sales):** Tanneries, meatpacking plants, dairy plants and paper mills, among others. Major clients include: Conaprole, Pamer and Cousa.

### 2.4: Competitors

- **Latin American competitors:** There are several local consulting companies in the water and wastewater management field, but few of them have developed water-treatment devices. For example, ETA Engenharia in Brazil and OSE in Uruguay have developed water-treatment devices, but they use traditional technologies and therefore are less efficient.
- **Competitors from other regions:** There are only six companies in the world, which have successfully applied technologies, such as Dissolved Air Flotation (DAF) and Coagulation Enhanced Primary Treatment (CEPT), for practical use in the water-treatment industry. Some of these companies include: PURAC (UK), Krofta (US), Flootek (Finland) and Stork (Holland), but none of these are looking to penetrate the Latin American market in the near future.

### 2.5: Competitive advantage

- **Expertise in hydraulic-environmental engineering:** COMPANY has been applying the DAF and the CEPT technologies for more than ten years. These technologies are only now just becoming the industrial standard. COMPANY experience with cutting-edge technologies in the water-treatment field has placed the company a step ahead of others. In 2000, Francisco was invited to speak at the International Water Congress in Helsinki and surprised the audience with the advances that his company had achieved. Today, COMPANY's water-treatment technologies are twice as productive.
- **Proprietary technology:** COMPANY has patented water-treatment devices that use DAF technology process. COMPANY has continued to develop new solutions, enhancing scalability and consolidating its leading role in the increasingly demanding water-conservation field.
- **Highly qualified team:** COMPANY has as a talented group of technicians that is able to stay abreast of market trends, major projects, and the latest technologies. The team is constantly working on new designs and development for proprietary products and solutions. The company also interacts frequently with outside experts: for instance, Francisco communicates frequently with Norwegian University of Science and Technology Professor Hallvard Odegaard, his doctorate mentor, and a renowned authority on water treatment. Additionally, Francisco has been a professor in water management in the School of Engineering (*Universidad de la Republica*, Uruguay) since 1986, an activity, which allowed Francisco to access an excellent talent pool of professionals.

### 2.6: Challenges

- **Develop a thorough expansion plan:** As the company has traditionally been comprised of engineers and architects, COMPANY has not thoroughly developed a professional business plan.
- **Identify the appropriate partners:** For COMPANY, it is critical to accurately identify in-country partners to facilitate access to water operators as they have done with BBL (leading firm in the water management industry) in Brazil. These partners need to have a solid entrance strategy and an accompanying sales force to support product sales.

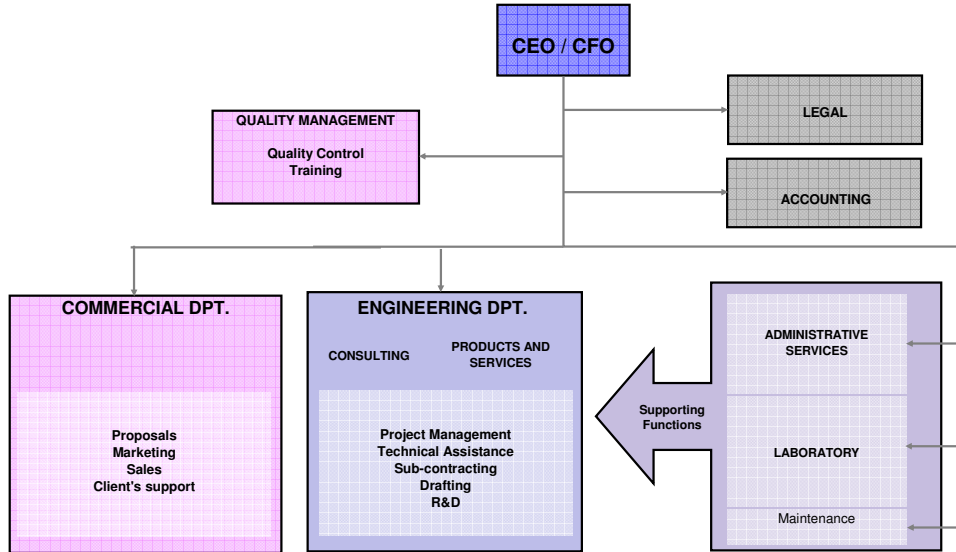
### 2.7: Future strategy

- **Consolidate its growth in Brazilian:** COMPANY has already established a solid presence in Brazil's southeastern region. The company is now expanding to the northeastern region of the country. Accordingly, COMPANY plans on leveraging its agreement with BBL to acquire new clients. BBL provides complementary products and services, in addition to having similar commercialization channels and a strong sales force.

- **Penetrate other Latin-American markets:** The company is establishing contacts with potential partners in Mexico, while conducting pilot surveys in the state of Morelos. COMPANY has already signed a contract to sell ten DWTP in Ecuador. It is also analyzing new business opportunities in Costa Rica and Venezuela.
- **Patent water-treatment devices in more markets:** Currently, COMPANY has patents in Uruguay and Brazil. The company plans to continue patenting these devices in more foreign markets.

### 3. THE ORGANIZATION

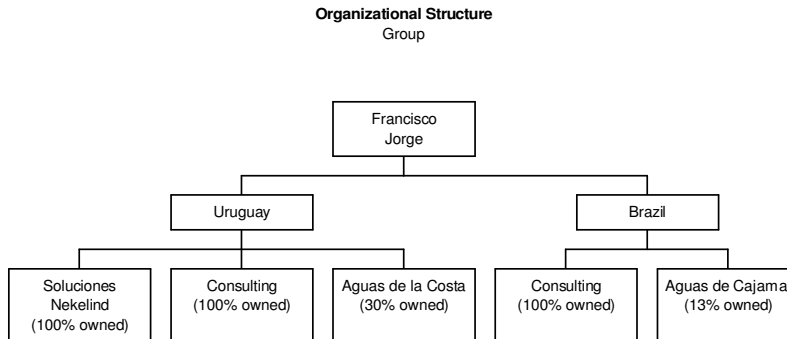
#### 3.1: Organizational chart



#### 3.2: Organizational structure

The COMPANY Group of companies includes:

- COMPANY Uruguay - engineering consulting firm (wholly-owned subsidiary)
- COMPANY Brazil - engineering consulting firm (wholly-owned subsidiary)
- Nekelind - sales of water-treatment devices (wholly-owned subsidiary)
- Aguas de la Costa - water and sewer services company (30 % owned)
- Aguas de Cajamar - water and sewer services company (13% owned).



#### 3.3: Facilities and other key assets

- State-of-the-art laboratory and administrative offices, covering 250 square meters in Uruguay.
- Commercial office in Santa Catarina, Brazil.
- Design patent for In-Container Drinking Water treatment devices using Dissolved Air Flotation (DAF) process.

### 3.4: Ownership structure

Shareholder name	Percent owned (%)	Role in Company
Francisco	40	CEO
Jorge	30	CFO
Employees (four total)	30	Key engineers

## 4. THE ENTREPRENEUR(S)

### 4.1: Entrepreneur's strengths

- **Openness to advice and mentorship:** Francisco responded positively to feedback given at the April 2004 Panel.
- **Contagious passion.**
- **Deep industry expertise:** Francisco has been working in the water-supply industry for over 18 years.
- **Strong employee retention:** In order to retain key employees, Francisco has recently given a percentage of ownership to four employees who have been working with the company for several years.

### 4.2: Entrepreneur's development needs

- **Develop commercial skills:** Francisco background is limited to engineering and therefore he needs to continue improving the company's commercialization department to market his water-treatment devices successfully.
- **Exchange of experiences:** Francisco acknowledges that in order to face the new challenges which the company's growth will impose, he needs more exposure to experienced executives with whom he can discuss COMPANY's expansion strategy. For example, to help him develop funding models to promote water-treatment devices sales.

## 5. FIT WITH ENDEAVOR

### 5.1: Endeavor Added-Value

COMPANY is at a crucial point in its growth. The company must develop new commercialization channels, identify strategic partners and develop a professional expansion plan to remain competitive. Endeavor can specifically help Francisco in the following ways:

- **Develop financial solution for customers:** Francisco believes that he could more easily sell his products if he was able to offer medium to long-term payment plans. Water and wastewater projects assure predictable cash flow, thus making these businesses very attractive for financial institutions. Endeavor could assist Francisco in finding the appropriate financial institution, as well as provide MBA interns in order to develop the most accurate financial model to implement.
- **Define growth strategy for water-treatment devices:** Endeavor's eMBA program and MIT GLab program can perform extensive market research to aid in the development of a globally-competitive business plan.
- **Link with Latin American water operators:** Endeavor can facilitate networking among COMPANY and local operators based upon a broad network of entrepreneurs.
- **Acquire new strategic tools:** Endeavor's network of VentureCorps and entrepreneurs will help Francisco strengthen his commercial abilities and acquire the necessary strategic tools to reach the next level. For example, the development of a financial package to be sold together with the technological solution in each turn-key project.

### 5.2: Entrepreneur Added-Value

Francisco's innovative wastewater-treatment system has increased the productivity of water systems up to 80%, while reducing costs by up to 30% (both in comparison to the industry standard). Furthermore, Francisco is an active promoter of responsible management of Latin America's water resources: he would be solid addition to Endeavor's global network.