

Business Support – International Investment Facilitation

Prosperity Initiative aims at promoting investments in the industrial bamboo industry via supporting existing business expansions as well as greenfield investments. In this particular case, PI was approached by a foreign bamboo processing to provide technical advice on building an investment case for a large scale factory expansion in Vietnam, equity financed by a large scale US based investment fund. As the business was venturing into new industry segments and production technologies – charcoal made off bamboo processing residues and pressed bamboo – PI was asked to provide necessary production and financial data to assess the commercial and financial viability of the project.

The 43 M USD investment project included as the core activity the expansion of an existing, and the set up of a new production facility, with output capacities of 1.5 M m² of flooring and other products per production unit. In addition, eight primary processing facilities were to be established to pre-process raw bamboo in rural areas close to bamboo sourcing areas – with eight charcoal and/or pellets production facilities attached in order to make use of bamboo pre-processing residues and maximise raw bamboo utilisation rates. The facilities were planned to be set up in two major expansion steps over a 5 year time period.

In terms of throughput capacity, the facility was estimated to increase raw bamboo consumption from approximately 175 tons/day in year 1 to 600 tons/day in year 10, generating total income of approx. 400,000 USD per year for approx. 7,000 poor people in year 1 and approx. 1,400,000 USD per year for approx. 25,000 poor people in year 10.

Working closely with the CEO and the US based investment fund, PI provided the following consulting services:

- Advice on scope and configuration of production facilities
- Advice on product selection for business model
- Development of discounted cash flow model to assess project viability and attractiveness
- Presentation of business model and investment case to US based investment fund
- Assistance to foreign bamboo processing company during due diligence phase

Upon completion of a more rigid, independent third party due diligence process, the US based investment fund decided to not invest in the project. Though specific reasons have not been formally communicated to PI, it appears that the project was stopped mainly due to the following two reasons. First, the planned investment and operation size was assessed to be too risky, considering the past track record of the foreign company in Vietnam, and secondly, the present management and production experience within the foreign company was considered insufficient and too risky to allow the US based fund to continue its “hands off” implementing strategy.

Despite the strong disappointment about the investment fund’s decision to stop the project, PI was able to use this valuable experience to reshape and better adjust the design of investment opportunities to the current state capacity of the industry and its lead firms. Also, important production data and business information was collected that significantly expanded PI’s bamboo industry knowledge and subsequently enabled the production of various investment promotion tools, such as the Pressed Bamboo Investment Prospectus, which now targets smaller scale Vietnamese businesses.