



Market Entry Plan - EU

- Acudor Access Doors

Abstract

This document is developed for Nelson Industrial Inc. on the assessment of EU market in order to develop a market entry plan for the Acudor access door products. The first section gives an introduction to the construction industry climate in Europe, including the impact of economic crisis on construction market in Western and Central Europe and a forecast to 2013. The second section evaluates the entry barrier, regulatory constraints and challenges for entering the EU market; The third section evaluates the potential and competitiveness of a country for first market of entry and as strategic focus for initial market development, and as a base country for possible future operation in EU. The fourth section reviews more closely what type of access panels/doors are sold in the target country, and government incentives in/to those country. The last section reviews the marketing strategies for entering the target market

Agenda

I. Construction Market Overview in Europe

- The construction industry in Europe
- EU and EFTA
- Trade barriers
- Regulatory constraints/Building code considerations
- Market evaluation by country: which country to penetrate first
- Entry incentives, government support (Host country and Canada), logistic challenges, taxation issue of the Target Country

Agenda

II. Market Assessment

- Type of Access Doors being used
- Competitive Landscape
- Access Door Selection Criteria
- Value Chain

Agenda

III. Marketing Strategy

- The company's value proposition in UK market
- Product offerings in terms of mix and pricing
- Distribution channels and sales models
- Integrated marketing imperatives
- Acquisition options

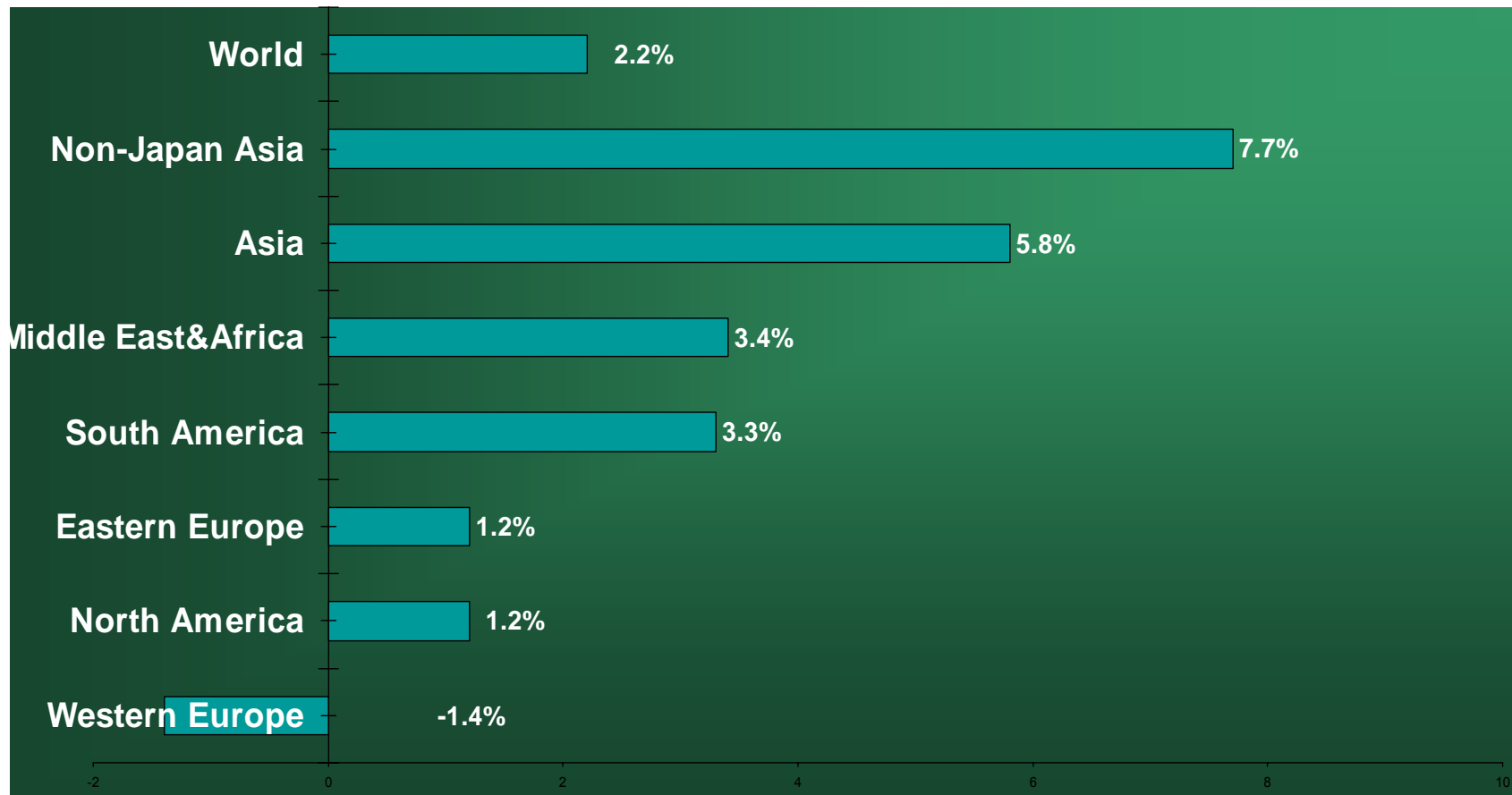
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Construction Market Overview- Worldwide

World Construction Outlook –Regional Comparison



Data Source: World Economic Outlook Conference & Applied economic Insight Workshops 20-22 Oct. 2009 Boston, MA

Compound Annual Growth 2008-2013

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Construction Market Overview-Worldwide

Stimulus Packages Around the World (US\$)

	Total Stimulus	Stimulus for Construction
Austria	26.5 b	
China	585 b	350 b
South Korea	11 b	10 b
Canada	24.8 b	16.5 b
Germany	65 b	24 b
France	33 b	14 b
Spain	14.5 b	
Chile	700 b	
Indonesia	700 b	
Malaysia	16 b	
India	4 b	

UK: No stimulus package in funds, but The UK Government has introduced some additional support through the Carbon Emissions Reduction Target scheme, which pushes energy suppliers to promote carbon emission cuts in the home.

Construction industry in Europe

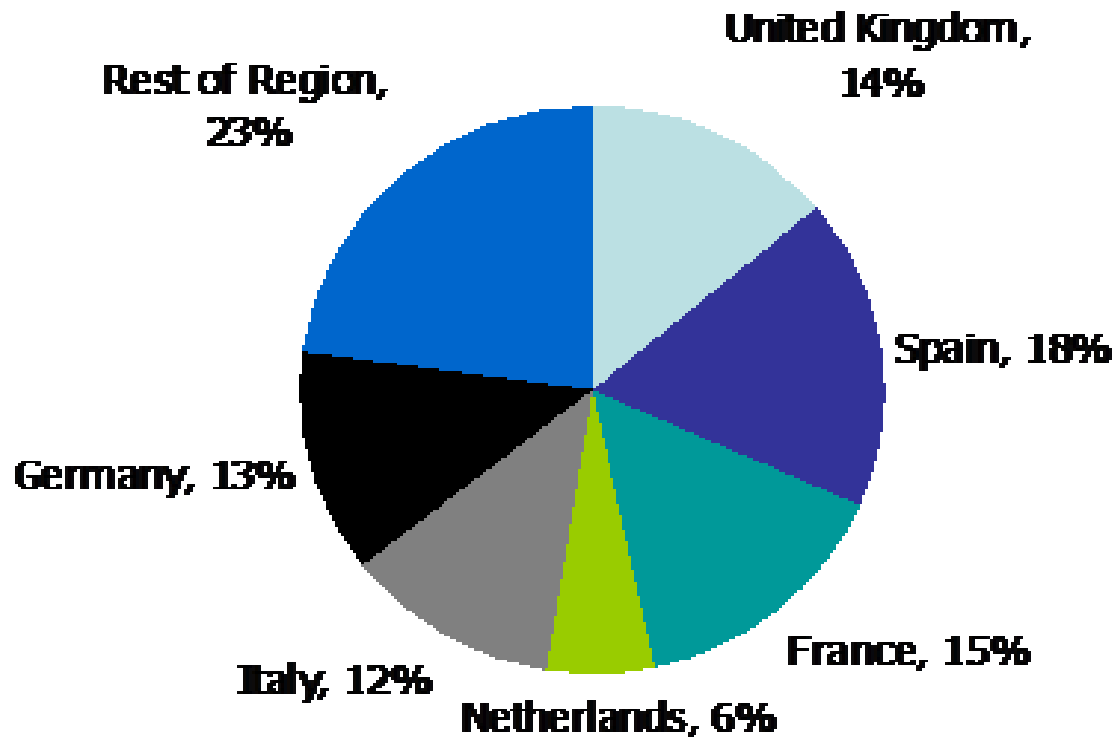
European GDP Growth(%) Forecasts

	2008	2009	2010	2011		2008	2009	2010	2011
Austria	1.7	-3.3	1.5	1.7	Norway	2.1	-1.3	1.2	1.8
Belgium	1.0	-3.4	0.1	1.2	Portugal	0	-2.9	0.4	1.1
Denmark	-1.0	-3.9	0.6	1.6	Slovakia	6.4	-4.8	1.2	3.6
Finland	1.0	-6.0	0.7	2.0	Slovenia	3.5	-6.8	-0.5	3.4
France	0.3	-2.0	1.0	1.5	Spain	1.2	-3.8	-0.9	0.7
Germany	1.0	-4.8	1.6	1.7	Sweden	-0.4	-4.6	1.6	1.8
Greece	2.9	-0.7	0.6	2.0	Switzerland	1.8	-1.2	1.5	1.8
Ireland	-3.0	-7.3	-1.6	2.1	U.K.	0.7	-4.3	0.9	1.7
Italy	-1.0	-5.1	0.6	1.1	Eurozone	0.6	-3.9	0.8	1.4
Netherlands	2.0	-3.8	0.7	1.0	EU(27)	0.8	-4	0.8	1.6

Construction industry in Europe

Shares of Total Construction by Country (2009)

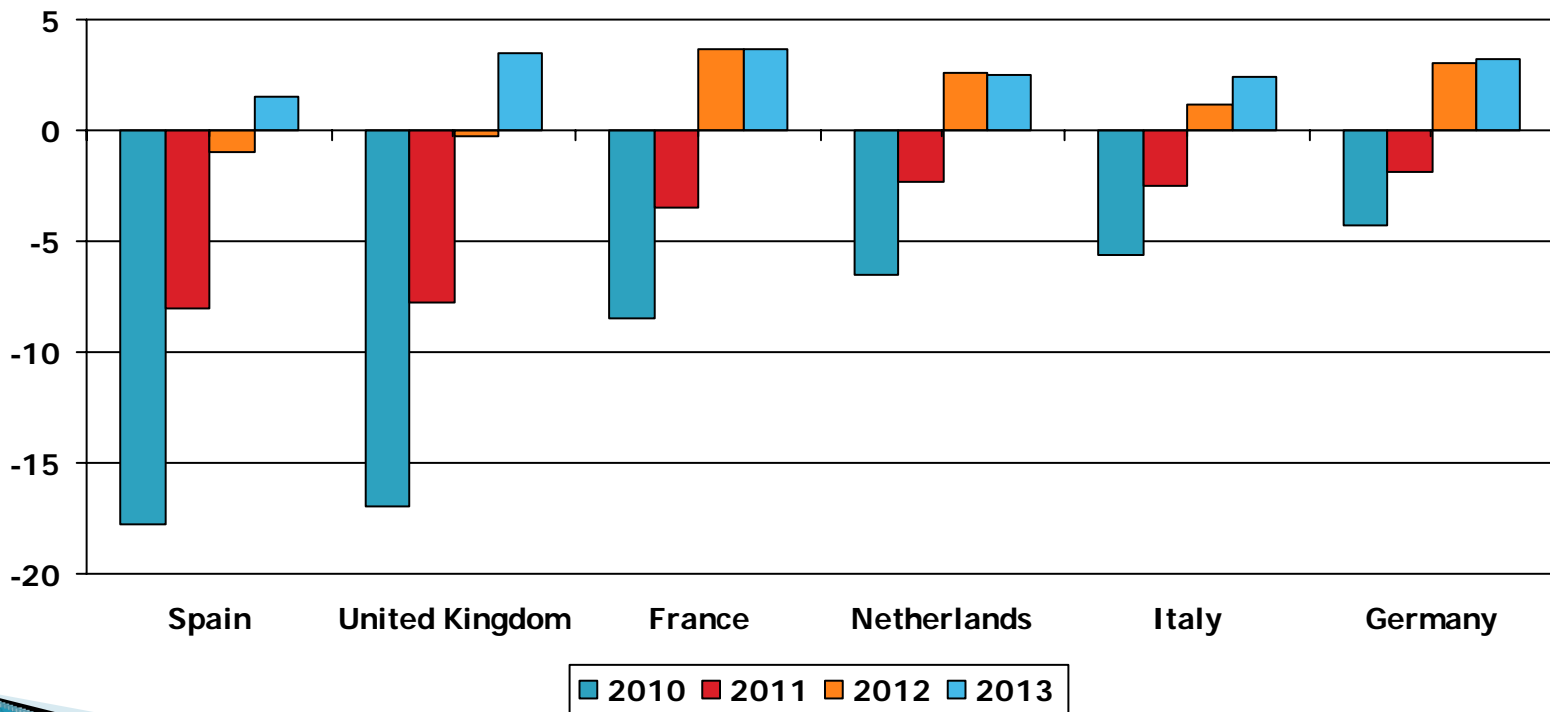
The Western Europe construction market is comprised of 5 major economies



Construction industry in Europe

Recovery in Most Construction Market is Slow, Flat at Best

Western Europe will endure the second-worst market conditions this year and is expected to experience the worst recovery going forward



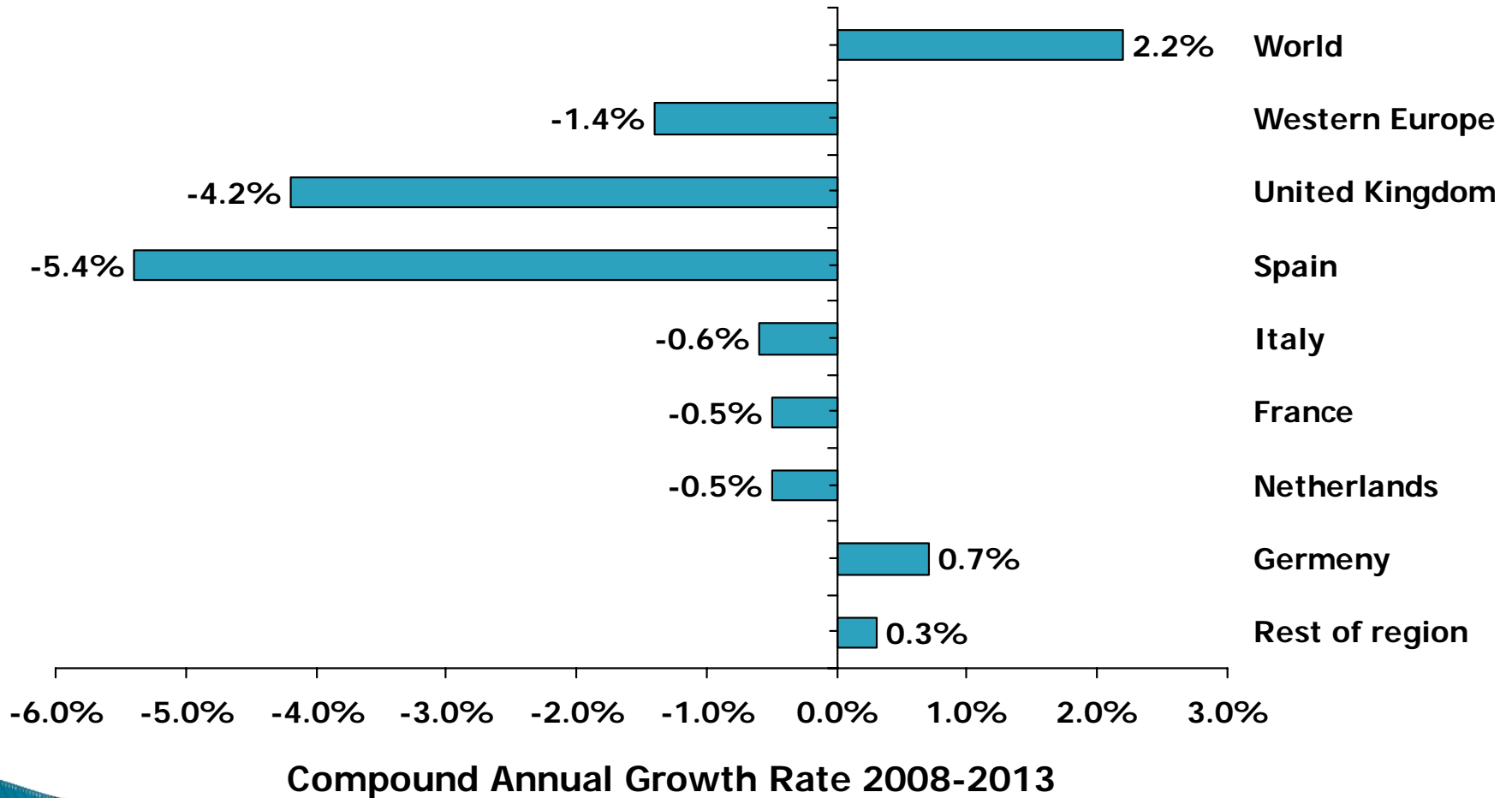
Construction industry in Europe

Components of Western Europe Total Construction

- ▶ **Residential: Peak-to-trough decline =-24.8%**
 - Housing bubble burst are taking the heaviest tolls on the UK and Spain
- ▶ **Non-residential Structure: Peak-to-trough decline=-19.%**
 - The collapse of exports in the region has really affected the non-residential construction market, esp. In Germany
- ▶ **Infrastructure**
 - Country specific stimulus packages
 - Large transport programs co-funded by EC in the context of the development of the trans-European transport network (TEN-T)
 - City traffic de-congestion a priority for most countries
 - Environmental concerns push investment in energy, railways and urban transport
 - London Olympics in 2012 – Program focuses on rail systems
- ▶ **a meager and expensive environment for construction** was created in the outlook, by deteriorating economic and demographic conditions, paired with the unrelenting high value of the euro,

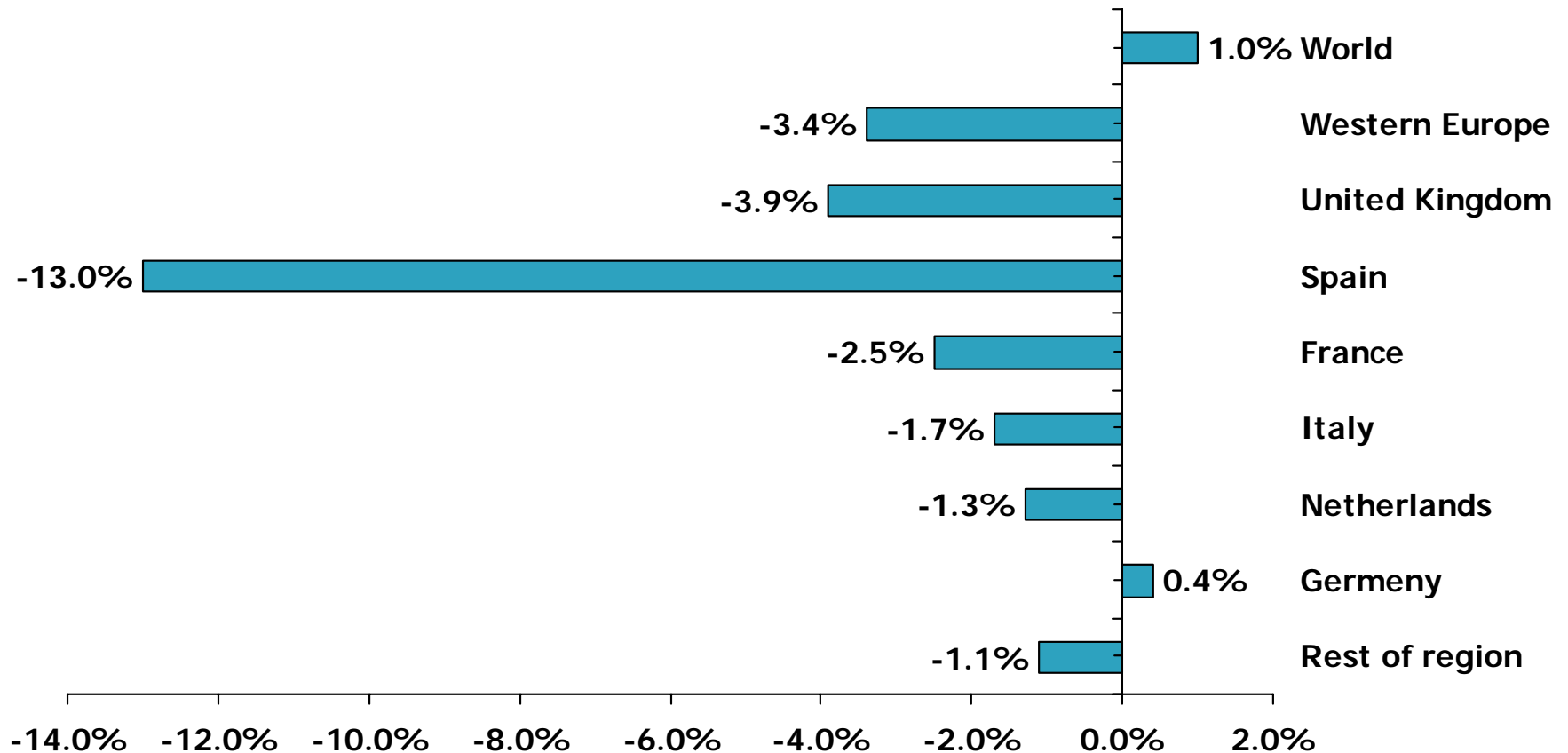
Construction industry in Europe

5 Year Outlook; Total Construction



Construction industry in Europe

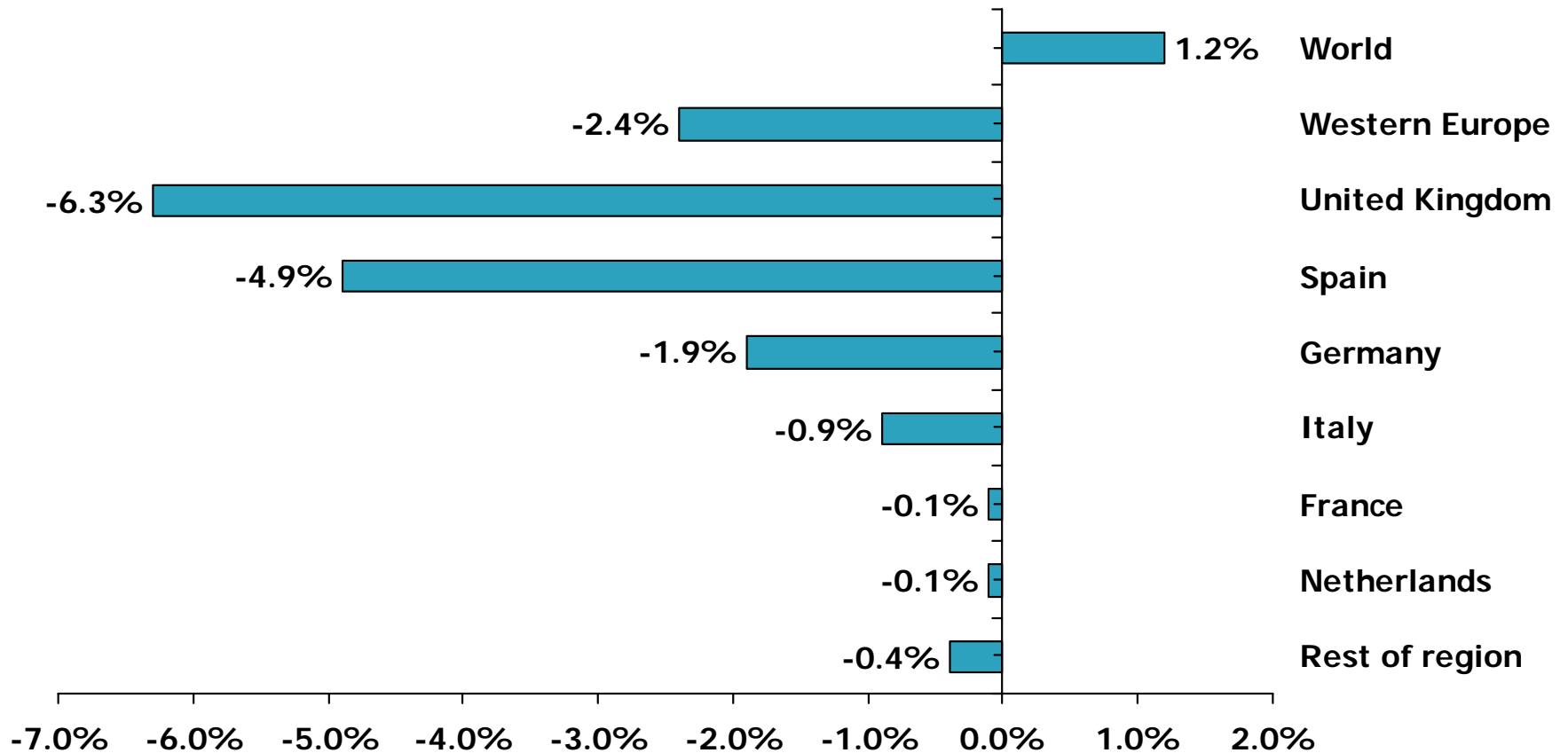
5 Year Outlook; Residential Construction



Compound Annual Growth Rate 2008-2013

Construction industry in Europe

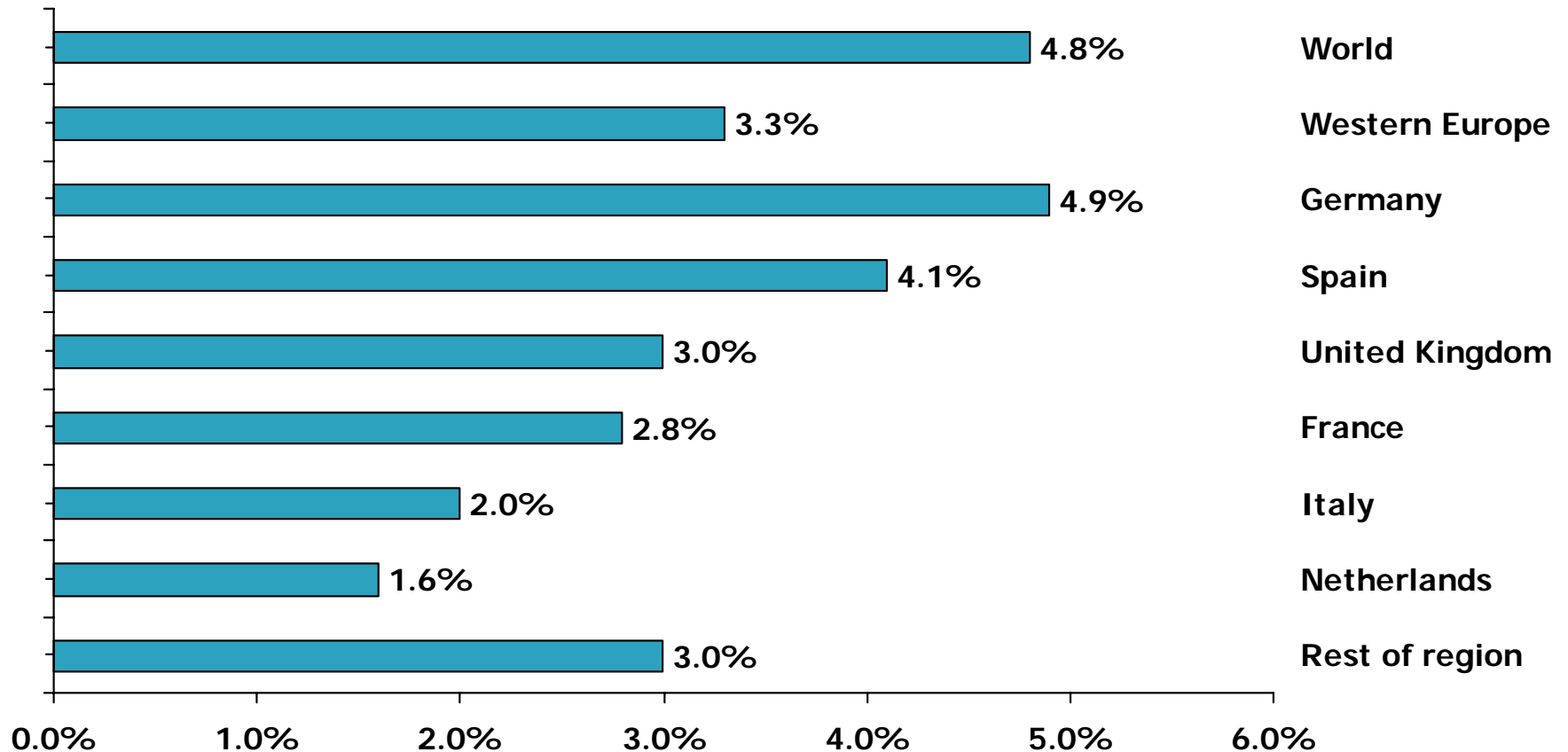
5 Year Outlook; Non-residential Construction



Compound Annual Growth Rate 2008-2013

Construction industry in Europe

5 Year Outlook: Infrastructure Construction



Compound Annual Growth Rate 2008-2013

Construction industry in Europe

Summary of Growth in Western Europe Construction

- ▶ **Residential Compound Annual Growth (2008-2013): -3.4%**
- ▶ **Non-residential Compound Annual Growth (2008-2013): -2.4%**
- ▶ **Infrastructure: Compound Annual Growth: 3.4%**
 - Country specific stimulus packages
 - Large transport programs co-funded by EC in the context of the development of the trans-European transport network (TEN-T)
 - City traffic de-congestion a priority for most countries
 - Environmental concerns push investment in energy, railways and urban transport
 - London Olympics in 2012 – Program focuses on rail systems

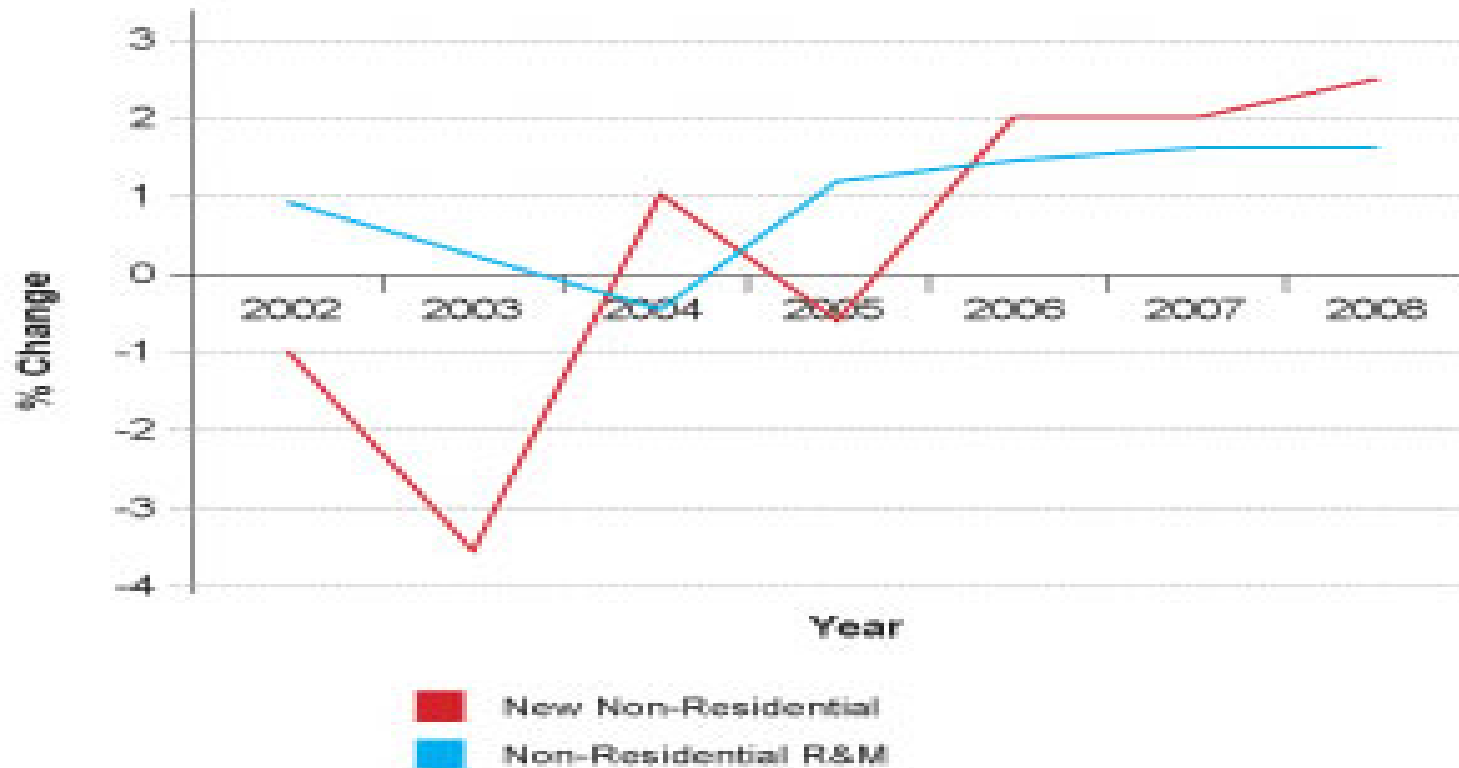
Construction industry in Europe

Non- residential Sector

- ▶ In Europe as a whole, industrial buildings - not offices - make up the biggest market sector, with 80% of non-residential demand coming from private investors.
- ▶ The sector is smaller than housing but bigger than civil engineering, and is responsible for 3.7% of GDP Europe-wide.
- ▶ In recent years, public investment has risen steadily, but it has been offset by a fall in spending from the private sector.

Construction industry in Europe

Non-residential Sector Trend in Western Europe before the Economic Crisis

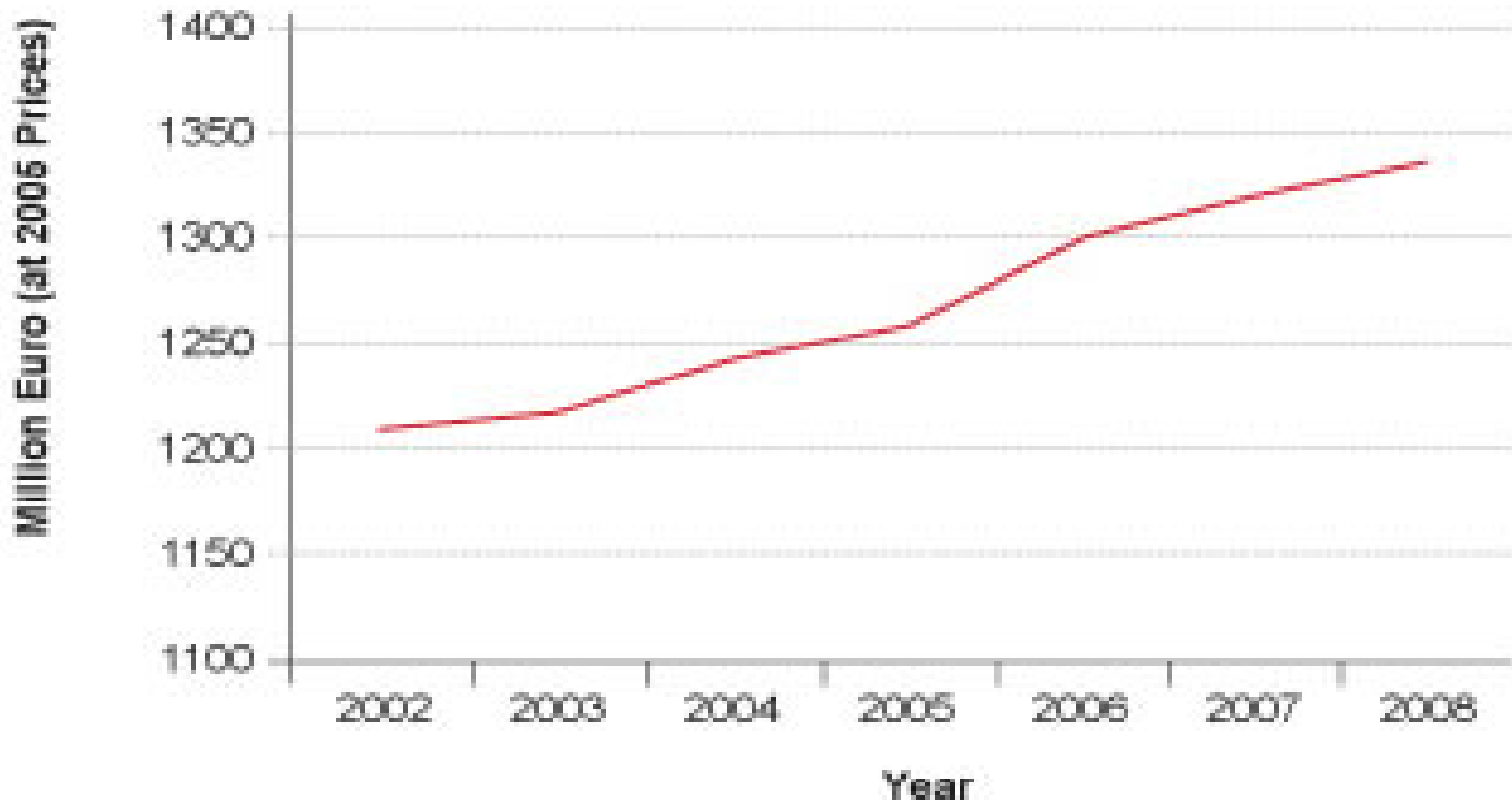


Construction sector output by country (Million Euros at 2005 prices)

Country	2002	2003	2004	2005	2006	2007	2008
Austria	26.850	28.128	28.251	28.669	29.371	29.944	30.494
Belgium	25.337	24.490	25.472	26.695	28.390	28.234	28.461
Czech Republic	11.394	12.416	13.622	14.194	14.876	15.619	16.446
Denmark	22.924	23.122	23.862	24.748	25.123	25.445	25.973
Finland	20.291	20.447	21.143	22.270	23.080	23.181	22.974
France	166.069	165.283	171.047	176.512	183.088	185.356	186.002
Germany	213.751	210.329	205.361	198.452	200.774	202.630	206.329
Hungary	8.673	8.753	9.548	10.300	10.821	11.679	13.076
Ireland	25.656	27.144	29.017	31.035	32.825	33.946	34.383
Italy	179.391	180.043	182.106	182.454	181.950	181.849	182.219
Netherlands	64.612	62.344	62.970	64.530	67.142	68.961	70.397
Norway	21.862	21.969	24.339	26.312	27.725	28.437	28.459
Poland	21.872	21.613	22.580	23.945	26.070	27.937	30.266
Portugal	30.282	27.558	26.980	26.037	25.195	24.552	24.720
Slovakia	2.528	2.566	2.709	3.092	3.371	3.618	3.833
Spain	140.262	145.967	152.456	161.030	168.163	172.637	175.502
Sweden	20.005	19.408	20.349	20.795	22.214	23.189	23.523
Switzerland	30.355	31.005	32.127	33.691	34.277	33.926	34.431
UK	177.243	185.549	191.505	189.908	192.750	198.177	205.339
Euro-Construct Countries	209.357	1218.134	1245.444	1264.669	1297.205	1319.317	1342.827

Construction industry in Europe

EuroConstruct sector output by country (Million Euros at 2005 prices)



Construction sector output by country (% Change at 2005 prices)

Country	2002	2003	2004	2005	2006	2007	2008
Austria	-2.3	4.8	0.5	1.5	2.5	2	1.8
Belgium	-5.4	-3.3	4	4.8	6.4	-0.5	0.8
Czech Republic	2.5	9	9.7	4.2	4.8	5	5.3
Denmark	-1.5	0.9	3.2	3.7	1.5	1.3	1.9
Finland	-0.6	0.8	3.4	5.3	3.6	0.5	-0.9
France	-1	-0.5	3.5	3.2	3.7	1.2	0.3
Germany	-5.8	-1.6	-2.4	-3.4	1.2	0.9	1.8
Hungary	13.3	0.9	9.2	7.9	5.1	7.9	12
Ireland	2.1	5.8	6.9	6.9	5.7	3.4	1.3
Italy	2.7	0.3	1.1	0.2	-0.3	-0.1	0.2
Netherlands	-3.2	-3.5	1	2.5	4	2.7	2.1
Norway	2.1	0.5	10.8	8.1	5.4	2.6	0.1
Poland	-4.5	-1.2	4.5	6	8.9	7.2	8.3
Portugal	-2	-9	-2.1	-3.5	-3.2	-2.6	0.9
Slovakia	3.1	1.5	5.6	14.1	9	7.3	5.9
Spain	4.8	4.1	4.4	5.6	4.4	2.7	1.7
Sweden	-1.5	-3	4.8	2.2	6.8	4.4	1.4
Switzerland	1.8	2.1	3.6	4.9	1.7	-1	1.5
UK	4.3	4.7	3.2	-0.8	1.5	2.8	3.6

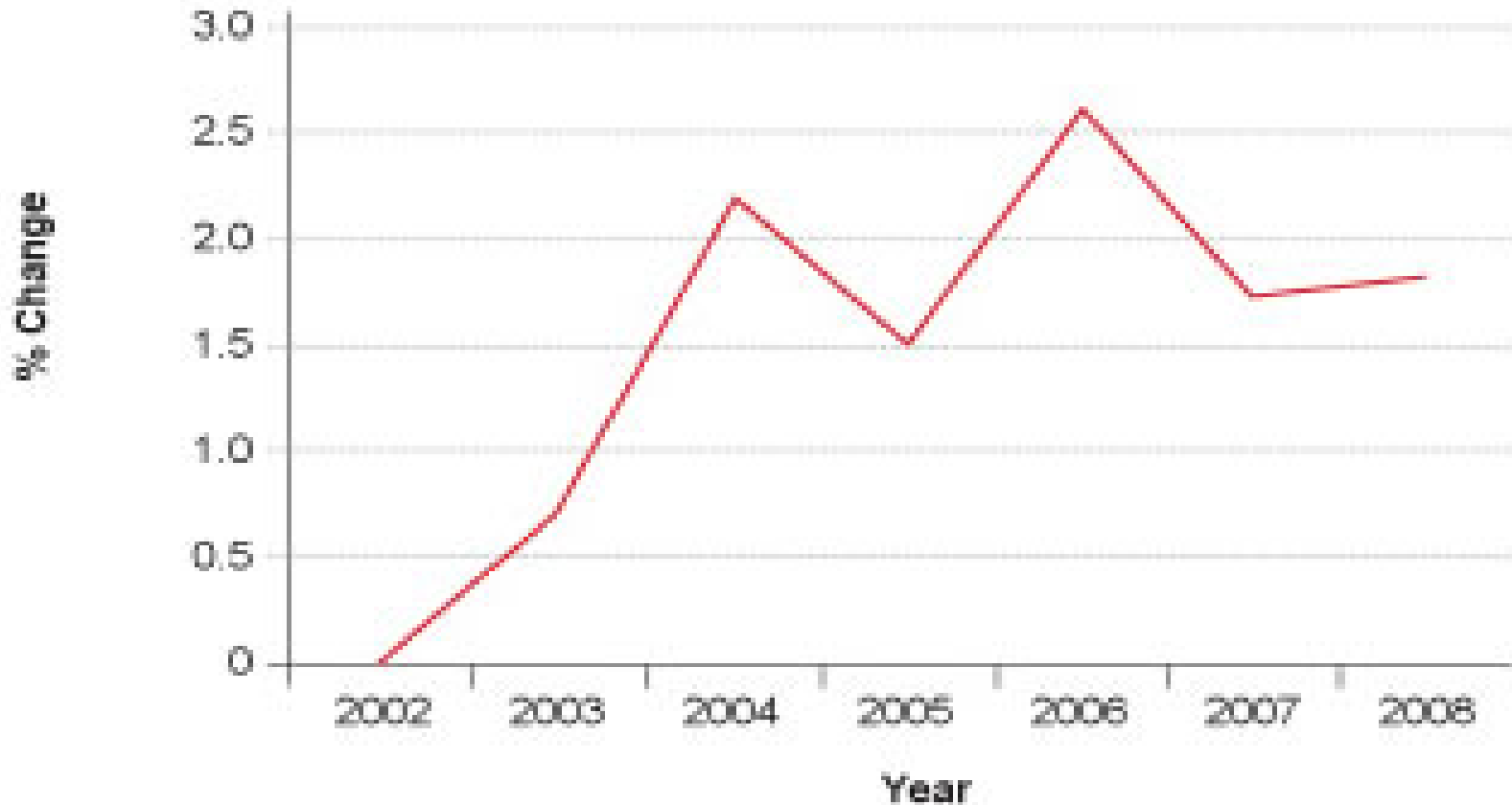
Euroconstruct Countries

0 0.7 2.2 1.5 2.6 1.7 1.8

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Construction industry in Europe

EuroConstruct sector output by country (% change at 2005 Prices)



Construction industry in Europe

EU Construction Market Size and Growth 2002-2008

- ▶ Before the economic down turn, England and Spain are the two countries that have both large market size and growth
- ▶ France, Germany and Italy has very moderate growth although market size is a lot bigger than other EU countries outside the “big 5”
- ▶ Eastern European market has the highest growth but the market size is still very small and it will take a long time for their economy to recover
- ▶ Ireland, Sweden, Switzerland and Netherlands have above average growth rate but the markets are still relatively small

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Greenland Sea



ICELAND

EUROPE

EUROPEAN UNION

- EU Member States
- EU New Members 2004
- EU New Members 2007
- EU Candidates
- EFTA Member States

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Atlantic Ocean

Norwegian Sea

Faroe Islands (DENMARK)

NORGE NORWAY

SVERIGE SWEDEN

SUOMI FINLAND

DANMARK DENMARK

DEUTSCHLAND GERMANY

POLAND

FRANCE

Österreich Austria

HUNGARY

PORTUGAL

ESPAÑA SPAIN

ITALIA ITALY

ROMANIA

BULGARIA

Ελλάς GREECE

ASIA

TURKEY

Mediterranean Sea

Tyrrhenian Sea

Adriatic Sea

Ionian Sea

Thessaloniki

Aegean Sea

Black Sea

Gulf of Bothnia

North Sea

Baltic Sea

Bay of Biscay

English Channel

Celtic Sea

RUSSIA

UKRAINE

BELARUS

LITHUANIA

ESTONIA

LATVIA

Stockholm

Sundsvall

Gävle

Kiruna

Hammerfest

Bergen

Trondheim

Oslo

Oulu

Tampere

Helsinki

Tallinn

St. Petersburg

Murmansk

Amsterdam

Bruxelles

Le Havre

Nantes

Bordeaux

Lyon

Geneva

Milan

Venice

Florence

Naples

Palermo

Hannover

Berlin

Rostock

Leipzig

Prague

Bratislava

Vienna

Budapest

Warsaw

Krakow

Lviv

Gdansk

Poznan

Warsaw

Kaliningrad

Vilnius

Minsk

Kiev

Odessa

Chisinau

Moldova

Cluj-Napoca

Bratislava

Bratislava

Budapest

Pecs

Belgrade

Sofia

Constanta

Varna

Istanbul

Skopje

Thessaloniki

Zagreb

Sarajevo

Belgrade

Podgorica

Tirana

Skopje

Thessaloniki

Athens

Patras

Patras

Patras



EU and EFTA

Europe Union

- ▶ Comprising 27 member states, with a total population of nearly 500 million.
- ▶ The world's largest single market, foreign investor and trader.
- ▶ European Union (EU) regulatory standards are setting the bar globally, as European manufacturers seek to become leaders in their respective areas.
- ▶ Economic forecasts for the EU-27:
 - 2009/2008: -0.4%
 - 2008/2007: 0.9%
 - 2007/2006:

EU and EFTA

EU-Canada Trade Negotiations

- ▶ European and Canadian negotiators met in Ottawa from 19th – 23rd October for the first round of negotiations for an EU-Canada Comprehensive Economic and Trade Agreement (CETA).
- ▶ Future rounds will take place at 3-monthly intervals with the aim of concluding negotiations within two years.
- ▶ Major obstacles: More stringent EU trade regulations (Different approaches: the German approach of “what’s not is not allowed”, where the Canadian approach is “it’s allowed if not”)

EU and EFTA

Outside of EU: The EFTA States



Iceland



Liechtenstein



Norway



Switzerland

EU and EFTA

EFTA-Canada Free Trade Agreement operational on July 1, 2009

- ▶ Most industrial goods, benefit from duty-free access to the respective markets
- ▶ The Agreement also includes provisions relating to the elimination of other trade barriers and trade-related disciplines, including rules on competition.
- ▶ The Agreement also includes provisions relating to the elimination of other trade barriers and trade-related disciplines, including rules on competition.
- ▶ EFTA has 18 Free Trade Agreements with 27 countries and is in free trade negotiations with several further partners
- ▶ The agreement is Canada's first FTA with any European countries, it broadens Canadian access to these valuable European markets.
- ▶ The direct commercial benefits to Canada will come from the elimination of duties on all non-agricultural goods and from the elimination or reduction of tariffs on selected agricultural exports.
- ▶ The FTA also provides a platform for Canadian business to tap into European Union value chains

EU and EFTA

EFTA- EU: EEA Agreement

- ▶ The EEA Agreement (Excluding Switzerland) provides for the inclusion of EU legislation that covers the four freedoms— the free movement of goods, services, persons and capital — throughout the 30 EEA States
- ▶ The Agreement guarantees equal rights and obligations within the Internal Market for citizens and economic operators in the EEA.
- ▶ The EEA Agreement does not cover the EU's:
 - Common Agriculture and Fisheries Policies (although the Agreement contains provisions on various aspects of trade in agricultural and fish products);
 - **Customs Union;**
 - Common Trade Policy;
 - Common Foreign and Security Policy;
 - Justice and Home Affairs (even though the EFTA countries are part of the Schengen area);
 - **Monetary Union (EMU).**

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Trade barriers

Tariffs to EU countries

- ▶ TARIC code: 8302410000 (metal products)
- ▶ Country of origin/destination:
 - China - CN (720) No restrictions, or
 - Canada - Canada - CA (404)
- ▶ Third country duty : 2.70 %
- ▶ Within the next couple of years, businesses will be able to throw away all their paper customs forms.
- ▶ Within a few years, the customs networks of all member states will be fully integrated electronically, providing a 'one-stop-shop' system for traders for their customs dealings throughout the EU.

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Regulatory constraints/Building Code Considerations

EuroCodes

- ▶ Essential Requirements of the Construction Products Directive:
 - Mechanical resistance and stability and part of Essential Requirement
 - Safety in case of Fire.
- ▶ As a basis for specifying contracts for public construction works and related engineering services
- ▶ Most EU countries including two EFTA countries (Norway, Iceland) will execute Eurocodes (to replace or parallel to their national codes around March 2010)
- ▶ While structural design is regulated in Eurocodes, fire resistance for building products is not harmonized in Europe so far. Requirement varies as testing method varies from country to country

Regulatory constraints/Building Code Considerations

The Construction Product Directive

- ▶ According to the Construction Product Directive, construction products suitable for construction works need to satisfy the following 6 essential requirements as appropriate:
 - mechanical resistance and stability
 - safety in case of fire
 - hygiene, healthy and the environment;
 - safety in use;
 - protection against noise;
 - energy economy and heat retention

Regulatory constraints/Building Code Considerations

The Construction Product Directive

- ▶ A harmonized system of technical specifications which are European standards and European Technical Approvals (ETAs):

Design standards: the Eurocodes	
Construction product Standards: steel, concrete, structural bearings, barriers, parapets, etc.	European Technical Approvals: expansion joints, prestressing tendons, etc
Execution standards: execution of concrete and steel structures, etc	
Test standards: testing of concrete, masonry units, fire tests, etc.	

Regulatory constraints/Building Code Considerations

European Standards

- ▶ European Standards (EN) are documents that have been ratified by one of the 3 European Standards Organizations, CEN, CENELEC or ETSI.
- ▶ ENs must be transposed into a national standard in all EU and EFTA countries. Member states must also withdraw any conflicting national standard: the EN prevails over any national standard. According to their fields of competence, CEN, CENELEC and ETSI deliver European Standards.
- ▶ CEN (European Committee for Standardization or Comité Européen de Normalisation) is voluntary, when a product falls under a New Approach Directive, it requires CE marking to be placed on the EU market.
- ▶ ISO standard has been adapting CEN standards, thus the use of ISO standards will make it easier for EN compliance
- ▶ 3 of the 4 EFTA countries (except Liechtenstein) are members of CEN

Regulatory constraints/Building Code Considerations

CE Marking

- ▶ The European Commission refers to the CE Marking of products as a "passport" which can allow a manufacturer to freely circulate their products within the European marketplace.
- ▶ The marking applies only to products regulated by the European Commissions health, safety and environmental protection legislation (product directives) but this is estimated to include more than 50% of the goods currently exported from the U.S. to Europe.
- ▶ CE Marking is mandatory for products covered by a Directive
- ▶ European Union legislation makes European importers liable for the products they import, including the machinery they provide to their employees for work under the PUWER directive.
- ▶ "Notified Bodies" are authorized by European countries to serve as independent test labs and perform the steps called out by product directives, only in cases where self-certification is not possible.

Regulatory constraints/Building Code Considerations

Regulatory Compliance – Eurocodes Implementation

UK: Eurocodes will replace the existing conflicting British standards in March 2010

Switzerland: At present, there are no fixed plans to replace the Swiss Standards by Eurocodes. Eurocodes may be used as alternative design rules under some conditions

France: Full implementation of Eurocodes is expected March 2010. Before that the national standard of BAEL can still be adopted.

Germany: Eurocodes are expected end of 2010

Finland: Eurocodes for aluminium and bridges are expected to be in use before 31/03/2010. Other Eurocodes parts are to be in used by end of 2009

Netherlands: Eurocodes related to buildings are already in use

Austria: From 30/06/2010, Eurocodes together with National Annexes are accepted for design of structures

Denmark: The old Danish standard has been withdrawn already

Sweden: The previous Swedish Standards will be withdrawn by January 2011.

Regulatory constraints/Building Code Considerations

Fire Protection Requirements

- ▶ The vast majority (»80%) of construction products covered by the CPD have a requirement related to their reaction to fire (the extent to which they burn and contribute to the development of a fire), their resistance to fire (the ability to prevent the spread of flame and/or smoke, and, where relevant, to maintain mechanical stability etc.), or both.
- ▶ Reaction to fire: There are about 30 different national tests (and 20 more ISO test methods) used by different Member States, Manufacturers are therefore obliged to carry out many, expensive tests if they wish to market their products throughout Europe.
- ▶ Resistance to fire: Attempts at harmonization in this area have been made, unsuccessfully, for the last 20 years

Regulatory constraints/Building Code Considerations

Fire Protection Requirements

- ▶ The Fire Regulators Group (FRG) is a Europe-wide organization of specialists in fire safety
- ▶ The Single Burning Item (SBI), EN 13823: 2002 was published on Feb. 13 2002. This test method underpins the Commission Decision 2000/147/EC, which sets out 'Euroclasses' for reaction to fire for construction products. This Decision was taken in the framework of the implementation of the Construction Products Directive (the CPD).
- ▶ This European classification system is now fully operational and shortly many construction products sold in Europe will need to be tested and classified using this system.
- ▶ There will be a single system for all Member States instead of the traditional regulatory methods used now in each country to classify most building products, making it easier for Regulators and specifiers to compare similar products.
- ▶ This will also reduce the technical barriers to trade for manufacturers and industry, as the test results will be valid throughout the Community.

Regulatory constraints/Building Code Considerations

Eurocodes replacing BS and significance for UK Market

- ▶ Over 30% of the construction sector in UK are already using Eurocodes (source: BSI survey, June 2009)
- ▶ British Standards are due to be withdrawn on 31 March 2010 when full implementation of the Eurocodes will take place.
- ▶ The objective of this pan-European harmonization is to level the playing field for contractors across Europe by eliminating the national standards that have been a barrier to penetrating non-domestic markets. It also opens the UK market to overseas firms.
- ▶ Additionally, the codes will be used further afield than Europe - Singapore is already adopting them and BSI has registered interest in China and India.
- ▶ BSI survey results from July 2009 found that around 85 per cent of Britain's structural design engineers expect to be using Eurocodes by March 2010.
- ▶ The BSI survey also indicates that the UK industry is keen to take advantage of the international opportunities afforded by the codes, with 60 per cent saying that access to other European national annexes is essential or desirable.

Regulatory constraints/Building Code Considerations

Regulatory Compliance – Implications to Nelson

- ▶ If meet one of the new harmonized CEN standards or obtain an ETA will have access to all European markets
- ▶ CEN standards and ETAs may be recognized in other countries which trade extensively with the EU
- ▶ Only European agencies can serve as Notified Bodies, Canadian agencies can only undertake testing or inspections as a subcontractor to a European agency.
- ▶ For small private projects, the option of obtaining informal approvals through the use of local architects and engineers will still continue, but warranty agencies may require CE marking.
- ▶ A “Notified Body” shall be hired to carry out the fire –testing and CE marketing application either directly by Nelson or through a local distributor/partner

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Market Evaluation by Country

Country Competitiveness Evaluation

KPMG Cost Competitiveness Study shows Canadian cost compared to EU, US and Japan (2004)

Country	Cost Index	Canada's Advantages (in percentage points)
Canada	91.0	n/a
Australia	91.5	0.5
United Kingdom	97.6	6.6
Italy	98.7	7.7
France	99.1	8.1
Luxembourg	99.1	8.1
United States	100.0	9.0
Ireland	103.3	12.3
Netherlands	104.0	13
Germany	113.9	22.9
Japan	123.8	32.8

Local operation?

Distribution Target?

The study expresses total business costs in each country as an index. For comparison purposes, the United States was assigned a cost index of 100.0 and represents the study baseline.

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Market Evaluation by Country

Switzerland's Free Trade with EU

- ▶ The Free Trade Agreement of 1972 between Switzerland and the EC/EU. dismantled such trade barriers as customs and quotas for industrial products between the contracting parties, thereby creating a free trade zone.
- ▶ Bilateral Agreements of 1999: Free movement of persons, technical trade barrier, public procurement, agriculture and air and land transport. In addition, the research agreement enables Switzerland to participate in EU research programs

Market Evaluation by Country

Switzerland-Income Tax

- ▶ Swiss taxes are much lower than its European neighbours, both for companies and for individuals (25% as compared to 30-55%)
- ▶ Taxes themselves can be deducted from the income as an expense, that reduces in significantly lower effective tax rate
- ▶ Federal corporate tax rate is 8.5% flat in Switzerland, while each canton has its own tax laws, tariffs and exemptions
- ▶ Swiss branch of a foreign pays the same rate of a corporate income tax on profits, income and capital gains, as would be paid by a Swiss-resident corporate entity. However, profit repatriated abroad by the Branch, is not subject to any tax in Switzerland
- ▶ Salaries and provisions for future employee retirement liabilities are also considered a deductible expense in computing taxable income

Market Evaluation by Country

Switzerland – Advantage as the First Country to Penetrate

- ▶ EFTA treaty makes selling product to Switzerland duty free
- ▶ Surrounded by 4 major EU countries (Germany, France, Italy, Austria) with which Switzerland has free trade agreements with
- ▶ Construction industry has seen a milder downturn compared to EU countries or other Western European countries
- ▶ Convenient access to Eastern European market once those countries started to resume growth after 2011
- ▶ Unparalleled tax environment, although the advantage has been diluting gradually in recent years

Market Evaluation by Country

Switzerland – Logistic Challenges to Penetrate First

- ▶ Eurocodes: May have to meet both Swiss standards and EU standard at the same time in the near term
- ▶ Language: Swiss people speak German, French, Italian. Translation into French and German maybe mandatory, although English is a commonly used working language in international cities like Geneva
- ▶ Currency: Swiss Francs, not euro (1 euro = 1.4776 CHF; 1CHF is about C\$1)
- ▶ Country of Origin rules applies, unless certain percentage of local manufacturing contents is met, can't sell to other non-EFTA country duty-free

Market Evaluation by Country

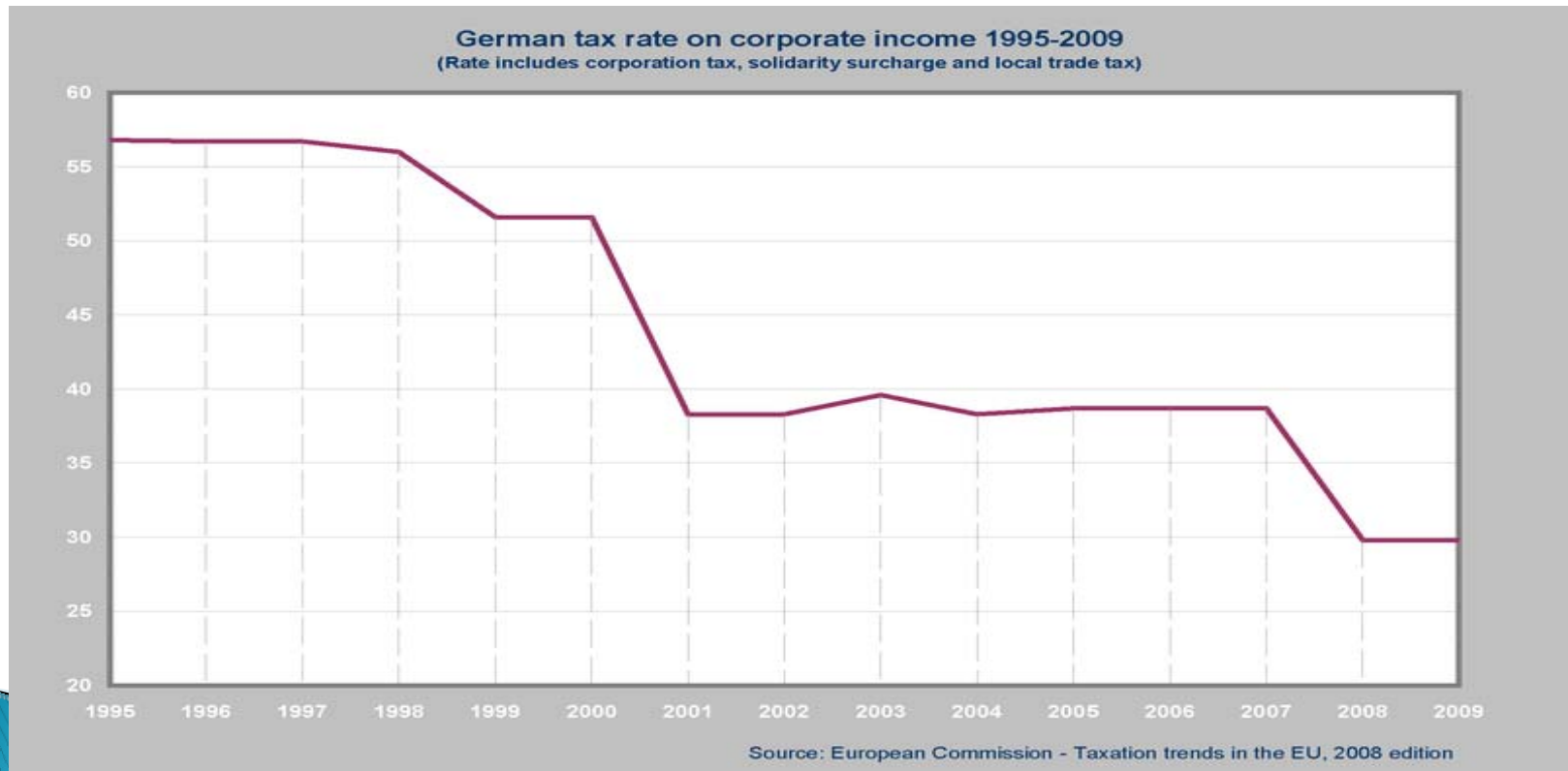
Germany

- ▶ Germany is the largest national economy in Europe, the 4th largest by nominal GDP in the world. It's the world's 2nd largest exporter in 2009. The construction industry is one of the most important sectors of the German economy. industry & construction accounts for 30.4% of national GDP
- ▶ Despite the difficult position of the industry at present, well over half of all investments are still made in this sector.
- ▶ The construction industry sector growth of -4.5% for 2009 is set to be corrected with positive growth returning in 2010. The industry is valued at US\$133.8mn for 2009, rising to an all-time high of US\$142.4mn in 2010.
- ▶ Germany's dominant position in the global construction industry, along with extensive government stimulus, has helped return the country to a strong position.
- ▶ The country has overtaken France as the country presenting the fewest risks to returns for investors.
- ▶ Germany hosts two thirds (nearly 160) of the international industry trade fairs, including the largest in IT, tourism, construction, food, and automobiles. Four of the world's five largest trade fairs are based there.

Market Evaluation by Country

Germany- Taxation

- ▶ As from 2008-01-01, Germany's rate of corporation tax is 15%. Counting both the solidarity surcharge (5.5% of corporation tax) and trade tax (averaging 14% as from 2008-01-01), tax on corporations in Germany is less than 30%.
- ▶ VAT: 19.5%



Market Evaluation by Country

Germany- Advantage as First Country to Penetrate

- ▶ Most advanced and developed construction industry, access to local skilled labour.
- ▶ Overseas market tend to pay higher premium for German-made products
- ▶ Construction industry was the least affected among all major EU countries and growth is forecasted from 2010
- ▶ Lower corporate tax rate: <30% as compared to 35% average in Western Europe
- ▶ High labour cost compared with Canada or rest of Europe makes it practical exporting to Germany
- ▶ Major trade shows for easier access to market

Market Evaluation by Country

Germany- Challenges as the First Country to Penetrate

- ▶ Due to high manufacturing cost, outsourcing from China has been very common for German building products manufacturers. It's difficult to sell to Germany at competitive price
- ▶ High manufacturing costs also makes it impractical to base a facility in the long term
- ▶ Germany construction industry has been very active in outsourcing from Asia to offset their high manufacturing cost in home country
- ▶ Language Issue

Market Evaluation by Country

United Kingdom

- ▶ The total output of the construction industry in Great Britain was estimated at £123.24bn in 2008. The construction sector contributed 9.2% of the nation's GVA (Gross Value Added) in 2007.
- ▶ The infrastructure sector is the least affected by the economic downturn and has benefited from government investment in transportation. Public spending on hospitals and education, including Public Private Partnerships (PPPs), is an important factor in the commercial sector.
- ▶ Change of trend in residential sector is beneficial for Access Panel industry: In 2001, over 40% of all new housing was detached (single homes) and 26% were flatted developments (multi-unit/apartments), the remainder accounted for by semi-detached (duplex) - 14% and terraced (row housing) - 17%. In 2007, only 19% of new housing was detached. Flatted developments now account for 47% of all new housing rising to over 75% in key urban areas like London.
- ▶ The reduction in construction activity is having a knock-on effect on the building-materials sector. Some suppliers of building materials are closing or 'mothballing' plants and implementing job cuts.

Market Evaluation by Country

UK- Commercial and Non-residential

- ▶ The largest sector overall (excluding repair and maintenance) is commercial construction, followed by house building. The infrastructure and industrial sectors are much smaller.
- ▶ Offices and retail activities in the commercial sector are now experiencing a downturn, due to the problems in the banking industry and reduced consumer spending.
- ▶ The UK is by far the largest market for non-residential construction in Europe, driven by the boom in the service industries and increased public investment before the economic downturn. The UK office market is bigger than that in France and Germany combined.

Market Evaluation by Country

UK- Construction Industry SWOT

▶ Strengths

- The UK accounts for 13% of total European construction output, making it the fifth largest market in the world, after the US, Japan, France and Germany
- The UK construction industry has a strong international reputation and UK construction consultants operate in almost every country of the world

▶ Weaknesses

- Market subject to very strong cyclical forces, related to UK citizens' strong cultural emphasis on property ownership – market therefore very prone to boom and bust, alongside consumer fortunes
- Commercial and residential markets currently extremely weak

▶ Opportunities

- The government's willingness to embark on an expansionary fiscal policy has bolstered the prospects that the infrastructure sector will see several new projects going forward
- Decline in raw-material prices, driven by the global economic downturn, provides rich pickings for companies with existing and pre-priced public-sector contracts

▶ Threats

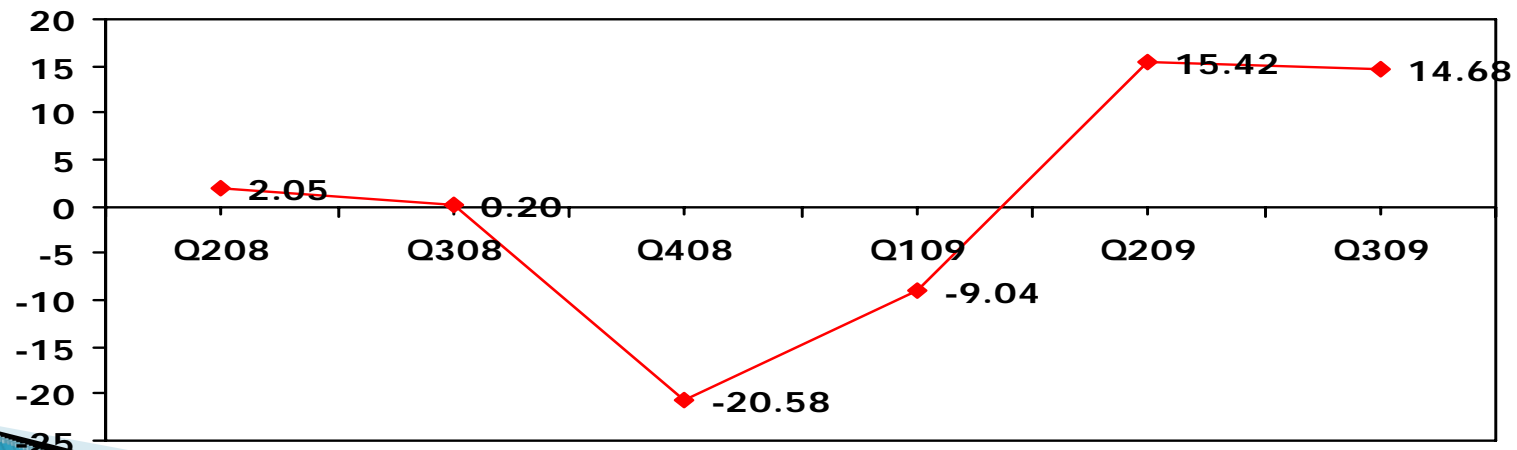
- Economic downturn looks set to send the sector into a (possibly prolonged) recession

Market Evaluation by Country

UK- Growth Drivers

Recovery in UK Commercial Property Market

- ▶ The recovery in the UK commercial property market is in sight as capital values rose 1.5% over Q3 2009 – a return to positive growth after eight consecutive quarters of falling values.
- ▶ Government investment in construction
- ▶ UK government investment has played an important role in growing the UK's capital stock. Government investment in construction has historically focused on infrastructure, education, housing and health. UK government investment has historically driven 30–40% of construction output.



Market Evaluation by Country

UK Tax Systems

- ▶ **Corporate Tax: UK's corporate tax rate for 2007/2008 was 30%.The tax rate has been reduced to 28% from 1.4.2008.**
 - For UK resident companies (if incorporated in the UK, or when the management is in the UK with annual profits below GBP 300,000 the tax rate is 20%.From 1.4.2008 rising to 21%.
- ▶ **Deduction of Tax at Source in U.K.**
 - In the U.K. tax is deducted at source from the following payments to non- residents:
- ▶ **VAT: 17.5%**
- ▶ **U.K. Tax Deductions**
 - Losses are carried forward indefinitely. Losses can be carried back for one year.
 - A company holding 75% in a subsidiary can usually file a consolidated tax return.
 - Depreciation is deducted using the reducing balance method.
 - The depreciation rate for machinery and equipment is 25%. Industrial buildings are depreciated on a straight line method , 4% per year.
 - Companies involved in enterprise zones can claim 100% depreciation for commercial buildings.

Market Evaluation by Country

Summary: Which Country to Penetrate First

England as the entry point for the following reason:

- ▶ Harmonization of building code with EU makes market access to EU much easier through UK
- ▶ Common wealth root, no language barrier
- ▶ Large market size of non-residential sector
- ▶ Lower manufacturing cost as compared to other major developed EU countries
- ▶ No entry barrier (except Tariff) or local protection

Agenda

I. Construction market overview in Europe

- The construction industry in Europe
- EU and EFTA
- Trade barriers
- Regulatory constraints/Building code considerations
- Market evaluation by country: which country to penetrate first
- Entry incentives, government support (host country and Canada), logistic challenges, taxation issue of the Target Country

UK- Entry Incentives, Government Support

Foreign Investment Rules

- ▶ There is no specific law governing or restricting foreign investment; foreigners or foreign-controlled companies are treated in law exactly as UK-owned businesses (except transportation and energy which are controlled by government agencies)
- ▶ No sectors of the economy are restricted to UK nationals or require majority equity holdings or other specified holdings by UK nationals (except Defense sector)
- ▶ Real Estate Acquisition: With very few exceptions, there are no limitations on foreign ownership of real estate.
- ▶ Exchange Controls: No exchange control restrictions affecting inward or outward investment (direct or portfolio), the repatriation of income or capital, the holding of currency accounts, or the settlement of current trading transactions

UK- Entry Incentives, Government Support Grants and Incentives

- ▶ Investment incentives are available at national, regional and local levels. A project may be eligible for assistance under more than one incentive scheme
- ▶ Foreign investors generally qualify for incentives, but some are only available to UK concerns
- ▶ Eligibility for any grants or allowances described below should be checked with professional advisors or the relevant public body before plans based on such eligibility are implemented
- ▶ The body responsible for administering a given incentive varies with the type of incentive and location of the project, but the initial queries may usually be addressed to the nearest local office of the department of trade and industry in England, the Scottish office in Scotland, the Welsh Development Agency in Wales and the Northern Ireland Office in Northern Ireland

UK- Entry Incentives, Government Support

Regional Selection Assistance and Local Assistance

- ▶ RSA: under a program called Regional Selection Assistance, discretionary grants are available towards projects with fixed capital expenditure over £500,000 and which will create or safeguard employment in the assisted areas
- ▶ Local Assistance: usually involves making land and building available or providing loans in inner-city areas for building and site work that improves the locality. Grants or loans are available for projects that create or preserve employment or stimulate the local economy

UK- Entry Incentives, Government Support

Free Zone

- ▶ 7 free zones currently operates within UK at 7 airports, where goods can be subjected to a variety of operations before being either allowed into free circulation with the EU or re-exported outside the EU, without the payment of duty, VAT, or other charges
- ▶ Because the free zones are registered as outside the EU's customs territory, it may be possible, for example, to import goods that would otherwise be subject to antidumping duty for processing into finished products that are subject to normal duty rates. Goods maybe stores in the free zone for an unlimited period.
- ▶ Individual companies may be able to establish private free zones, With the approval of customs & Excise, these companies maybe able to import, store, and extensively process their own goods on their own premises

UK- Entry Incentives, Government Support

Customs Warehouse

- ▶ In addition to free zones, customs warehouses are available throughout the country. These warehouses provide much the same benefits as the free zones, except that in general goods may only be stored in them, with some repackaging or sorting. The government will permit further operations such as the temporary removal of goods or processing and subsequent return to the customs warehouse.
- ▶ Customs warehouse operators normally provide public storage facilities, but a company may, with the approval of Customs and Excise, operate a private customs warehouse to store its own goods
- ▶ Now the UK has introduced the Type E Warehouse. This scheme allows a company to store goods free of customs duty and VAT at any notified storage site. There is no need to have specific premises approved as customs warehouse-instead, it is the company's stock and accounting systems that are approved
- ▶ Goods removed from customs warehouses are required to be declared to Customs and Excise electronically

UK- Entry Incentives, Government Support

Employment and Training

- ▶ Numerous government programs are designed to increase the opportunities for employment, work experience, or the acquisition of skills. The grants are available throughout the country, regardless of location
- ▶ Grants maybe typically in the range of £500+ per job
- ▶ TEC (Training and Enterprise Councils) are the organization to process this funds and there are 80+ TECs throughout UK
- ▶ There are also research and development schemes to help enterprise in training and skills development in addition to the capital investment type of programs above

Government Support from Canada

EDC: Simplified Foreign Buyers Financing (SBF)

Specifically for small- and medium-sized Canadian exporters.

- ▶ EDC provides a small, term loan to the exporter's foreign buyer (up to or less than US\$100,000) in support of a specific export contract.
- ▶ A 15% down payment from the buyer to the exporter is typically required.
- ▶ The loan can be for up to 85% of the contract value and may be issued all at once or in installments.
- ▶ The loan will generally be unsecured with no recourse to the exporter.
- ▶ Along with the loan interest rate the only other fee is a US\$500 documentation fee (payable by the buyer to EDC).
- ▶ The approval process is fast and simple.
- ▶ Support is available for capital and non-capital goods and services sold under an export contract as long as the goods and services meet EDC's environment and Canadian Benefits criteria.

How SBF works

- ▶ The exporter provides EDC with the export contract and credit information on its foreign buyer.
- ▶ EDC completes its credit review and approval process.
- ▶ Once approved, EDC issues a loan agreement to the buyer and alerts the exporter.
- ▶ Payment to the exporter is usually triggered by EDC's receipt of a buyer-approved invoice.

EDC is responsible for collecting payment from the buyer and administering the loan.

Government Support from Canada

EDC: Export Guarantee Program

Export Guarantee Program:

- finance your work in progress and inventory related to a specific or multiple export contracts;
- finance on-going export-related working capital needs;
- finance the purchase of equipment or other expenses related to export activities;
- provide support to allow Canadian companies looking to expand their business by making business investments outside Canada;
- finance foreign-domiciled inventory. Among other requirements, this type of inventory must consist of finished goods for which the exporter has unencumbered legal title; and
- free up working capital by using the security of your foreign receivables and an EDC guarantee to your bank to increase your operating line of credit.

▶ The coverage:

- up to 100% for loans where Canadian companies are making direct investments abroad;
- up to 90% for guaranteed amounts up to and including \$500,000;
- up to 75% for guaranteed amounts greater than \$500,000 and up to \$10 million.

(EDC Account Manager for Nelson Industrial: Ken Gissen: 416-6407611)

Acudor Market Entry Plan-
EUAcudor Market Entry Plan -EU

Government Support from Canada

International Trade Canada: Going Global Innovation

Program Description:

- Going Global Innovation (GGI) is specifically designed to promote and enhance Canada's international innovation efforts by supporting Canadian companies and/or researchers in pursuing international research and development (R&D) collaborative opportunities through the development of partnerships with key players in other countries/economies. The program provides assistance by contributing to eligible expenses for travel, accommodations, meals, incidentals and other non-research expenses.
- Eligibility Criteria:
- Eligible beneficiaries are Canadian researchers from private companies, universities and non-government research centres.

Eligible expenses:

- Travel and related costs
- Other non-research expenses
- Expenses for travel, accommodations, meals and incidentals are as per Treasury Board guidelines.
- Funding:
- Going Global Innovation provides assistance by contributing up to 75% of eligible expenses.
- Applicants must request a minimum of \$5,000.00 in order for the application to be considered. The maximum payable to any organization for an approved project is \$75,000.

Government Support from Canada

Federal Economic Development Agency for Southern Ontario (FedDev Ontario): Southern Ontario Development Program

Eligibility Criteria-

Eligible applicants

- Small- and medium-sized enterprises (SMEs)* with a focus on those with up to 1,000 employees;
- Non-profit organizations whose primary mission is business support or economic development;
- Business groups or associations

Eligible Projects:

▶ Includes Projects that

- expand capacity; improve technology or equipment; improve the productivity and competitiveness of a business;
- **provide access to new markets;**
- innovate products or services; commercialization of innovations; and

Government Support from Canada

Federal Economic Development Agency for Southern Ontario
(FedDev Ontario): [Southern Ontario Development Program](#)

Eligibility Criteria

- ▶ Capital Projects (50% funding is available):
 - Construction or acquisition of a building, expansion project
 - Site improvements (land clearing, paving, etc.), leasehold improvements that are project specific
 - Leased equipment and expenditure under conditional sales contracts
 - Infrastructure (i.e. sewer, water) that is project specific
 - Intangible assets like patents, trademarks, licenses
 - Insurance and interest capitalized during construction

Government Support from Canada

Federal Economic Development Agency for Southern Ontario
(FedDev Ontario): Southern Ontario Development Program

Eligibility Criteria

▶ **Non-Capital Projects (75% funding is available)**

- Marketing
- Training
- Productivity/quality improvement (i.e. certifications, consultancy fees)
- Innovations (R&D)
- Consulting advice
- Contract bidding
- Business proposal development
- Business Support (non-profits)

Government Support from Canada

Federal Economic Development Agency for Southern Ontario
(FedDev Ontario): Southern Ontario Development Program

Timeline:

- ▶ In response to Ontario's economic challenges, Budget 2009 provided more than \$1 billion over five years for a new Southern Ontario development agency.
- ▶ FedDev Ontario has received a high volume of applications during the SODP general intake for 2009/10, which opened on October 2, 2009, and closed on December 1, 2009.
- ▶ New intake for 2010-2011 will likely to start in March-April 2010

Government Support from Canada

Export Market Access: Ontario

A Global Expansion Program is a 50/50 cost-sharing grant program

- The Export Market Access (EMA): A Global Expansion Program is specifically intended to:
- The funding categories include: Direct contacts, Marketing Tools, Market Research, and Foreign Bidding Projects.

Funding:

- Export Market Access: A Global Expansion Program is a 50/50 cost-sharing grant program.
- Approved applications will receive funds covering up to 50% of eligible costs. Approved applicants will receive an initial payment of half of the total funding amount and a final payment representing the remaining grant amount upon the successful completion of the project and submission of the Final Activity Report. This report details the costs incurred and the applicant's achievements, such as qualified leads, revenues generated, etc.
- The maximum funding eligible through the program generally would not exceed \$30,000 (with the exception of capital bidding projects which are eligible for around \$35,000). Companies are limited to two approved projects per year.

Agenda

II. Market Assessment

- Type of Access Doors being used
- Competitive Landscape
- Access Door Selection Criteria
- Value Chain

Types of Access Doors Being Used Wall

Wall Panels

- **Low Cost Access Panel** for jointless plasterboard/plaster ceilings & walls for access to mechanical and electrical works;
- **Plastic access panel** (Handi Access) provides a simple, economical, non-locking solution into ceilings and walls in a multitude of situations, whether they be new-build or retro fitted after remedial work.
- **Fire rated panel** designed to fit into any type of fire rated wall system, allowing easy access into the cavity/void where regular maintenance to services is required to be carried out. (up to 4 hours fire resistance) Tested in accordance with EN 1634-1.
- **Performance access panels** for ceramic/marble tiled walls (up to 10mm overall thickness) (from non fire rated to 2 hours fire resistance)

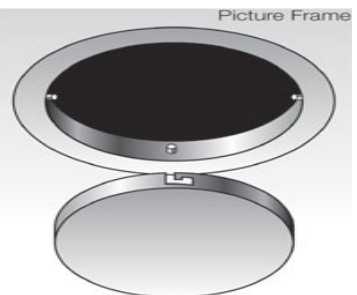
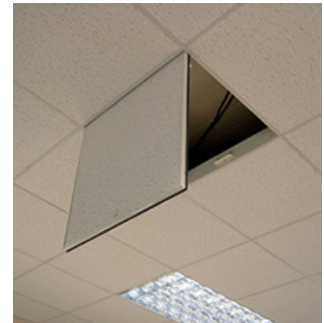
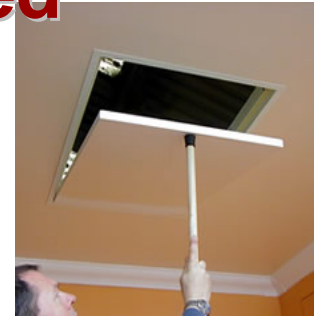


Types of Access Doors Being Used

Ceiling

Ceiling Panels

- **Concealed Loft Access Panel** for plasterboard/plaster ceilings (non fire-rated) 'Loft Hatch' is designed to provide access into 50cm wide timber truss/joisted plaster/plasterboard ceilings where access to loft space is required.
- **Ceiling Access Panels** for mineral fibreboard tiles on exposed grid: hinged steel access panels provides modular access into 'lay-in' mineral fibreboard tiles on exposed grid
- **Hinged steel access panels** provides regular access into jointless plasterboard or plaster ceilings systems that may require up to 1-hour fire resistance
- **Round access panels** provide protected openings in ceilings and walls for access to building engineering services where the round outline continues architectural themes blending with other fittings.



Types of Access Doors Being Used Wall and Ceiling

Acoustic

▶ Acoustic access panel (Acoustic Rating: 40 dB) is suitable for use in any wall/partition system within a building that requires some form of sound/noise containment. (BRE Test Report No. 218510 gave a rating according to BS EN ISO 717-1:1997 of 40 (-2 - 7)db.)

Airtight

▶ Airtight access panel is suitable for use in any type of wall/ceiling system within a building that requires some form of containment, e.g. computer rooms, hospital wards, swimming pools etc.

Dimensions

▶ Any panel sizes can be manufactured to order within maximum and minimum dimensional constraints, mostly range from 150x150mm to 1200x1200mm, with stock for 300x300mm, 450x450mm, and 600x600mm

Material:

▶ Most common: 1.2-1.0 mm Zintec steel with a polyester powder coating of matt white Ral 9010, 20% Gloss



Types of Access Doors Being Used

Roof Access

Roof Hatches

- Roof access hatches are designed with weatherproofing in mind and are available Non Fire Rated, One, Two or Three Hour Fire Resistance for integrity to BS476: Parts 21 and 22: 1987. Comprising double skinned insulated aluminium lid construction with standard 200mm upstand. (M&M, Bilco)
- Aids Firefighters in bringing a fire under control by removing smoke, heat and gasses from a burning building. Bilco's REM smoke ventilator opens to a full 140 degrees to satisfy Building Regulations and meet Approved Document B, BS999 and European Standards enshrined in EN 12101.



Types of Access Doors Being Used

Floor Access

Floor Access and Coverings

- ▶ Floor cover panels are available from non-fire rated, 1 hour fire rated to 3 hour fire rated, double sealed and secured and can be supplied with aluminium or brass edges with matching lifting blocks.
- ▶ They are designed and recessed up to 20mm for typical floor finishes of Marble, Concrete, Ceramic Tiles, Resin, Terrazzo, Wood and hard floors, and have a 5 tonne pneumatic tyre wheel loading.
- ▶ Floor access hatches are designed for use within internal and external applications where access for periodic maintenance or engineering services is required. Floor access hatches are constructed from aluminium as standard, comprising gas spring assisted opening with safety hold open stays to prevent against accidental closure and available up to 3 hour fire rated.



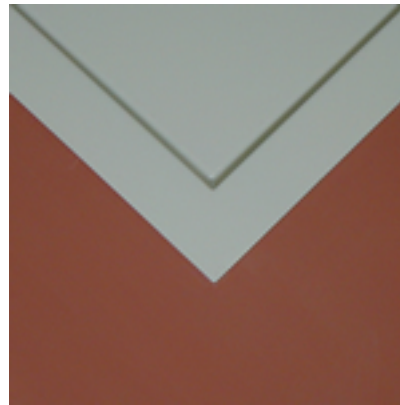
Types of Access Doors Being Used

Types of Frame



“Beaded Frame”:
For new dry lined
walls and
ceilings, the
frame is taped
and jointed or
skim finished

Compatible Acudor
Product: DW5040



“Picture Frame”:
Fitted retrospectively
into finished walls
and ceilings, Rough
cut aperture edges
are concealed with
the visible frame.



“Beaded Frame”:
For new walls and
ceilings, the frame
is finished with
plaster or render.

Compatible Acudor
Product: PS5030

Acudor Market Entry Plan-
EUAcudor Market Entry Plan -EU

Types of Access Doors Being Used

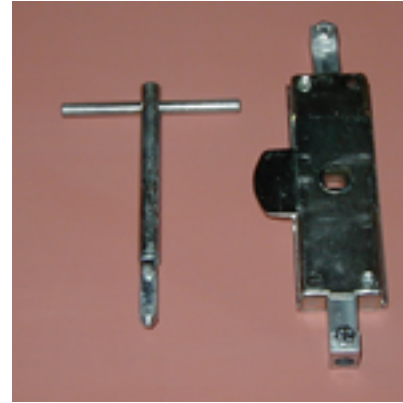
Types of Lock



Budge Lock: The most commonly used lock; it's operated with a square drive key through the door face and offers low level security.



A chrome escutcheon to the door face permits entry by a castellated key. Offers medium level security;



Operated with a captive square drive key through the door face. Used on wall panels that are large or over 2 hours fire rated. offers low level security but can be upgraded with additional key lock.



The catch is concealed behind the door and is operated by pressure to the door face near the catch to release. Offers limited security.

Agenda

II. Market Assessment

- Type of Access Doors being used
- Competitive Landscape
- Access Door Selection Criteria
- Value Chain

Competitive Landscape

Key Players in UK

Palco UK, <http://www.palcouk.com>, Product ranges: **ceiling, wall access panels and ladders** Northamptonshire, UK
(1.43 hour drive north of London)

M&M Access Limited, <http://www.m-maccess.co.uk/index.htm>, full ranges of ceiling, wall, roof, floor, ladder, louvres/diffusers, Northamptonshire, UK, (1.43 hour drive north of London)

Ace Ceiling Products Ltd. <http://www.ace-ceilings.co.uk>, only ceiling and wall access panels, Coventry, West Midlands (2.22 Hour drive north of London)

Profab Access Ltd: <http://www.profabaccess.com/> Atherstone, Warwickshire (near Birmingham, 2.12 hour drive northwest of London)

Surespan/Jakdor: <http://www.jakdor.co.uk>, ceiling and wall access panels. located near Birmingham, 2.30hour drive northwest of London

The Access Panel Company Ltd. Wall, <http://www.accesspanels.co.uk> Loft access panels and roof hatches, North Lincolnshire, UK, (3.30hours north of London)

Exitile Ltd. <http://www.exitile.com/>, wall, ceiling, loft access. 2 hour drive northwest of London

Bilco UK Ltd. <http://www.bilco.com/BilcoInternational/home.asp?country=94>. Roof hatches, smoke vents and floor coverings. Company is location 1.45 hrs drive northeast of London

Competitive Landscape

UK Competitor Benchmarking

	Access Panel Product	Other products	Key Differentiators/selling points	Market Coverage	Outsource from Asia?
Palco	Wall/ceiling Access Panels	Ladders and drylining trims	Full ranges (26), design to fit	UK, HK, Ireland	?
M&M (ISO9002)	Wall/Ceiling/Floor/Roof/	Ladders/ Grilles/ Louvres/Dif fusers	Note to Specifier on Datasheet	UK,	?
Ace Ceiling (ISO 9001)	Ceiling, Wall, Corridor access solutions	Architectu ral Metalwork	Large selection of ceiling solution, finish material and color. Complete service, involve architects, designers	UK and the Middle East (warehouse in Dubai)	?
Profab	Wall/Ceiling	N/A	Meet British Standards (BS); EN Standards and UL Standards; Customization at initial stage of project. "Spec. Clause" for specifiers	Distributors in UK, and to Ireland, Asia, the Middle East, US and Europe	Yes, seeking to have a JV in China

Competitive Landscape

UK Competitor Benchmarking

	Access Panel Product	Other products	Key Differentiators/selling points	Market Coverage	Outsource from Asia?
Surespan/Jakdor	Ceiling/Wall	Zip latter to match access panels	Alternatives offered (controlled descent or electrically controlled) for doors greater than 600x600	UK, Ireland	?
The Access Panel	Ceiling/Wall/Loft access	Distribute ALPRO tiled door from Austria	the patented 'Touchflap' cleverly conceals the opening for the lock without using an unsightly plug	UK	Not sure where but Yes
Exitile (ISO 9001)	Ceiling/Wall	Distributor for Armstrong Commercial Ceiling&Wall US/Canada	Acoustic rated panels 40dB and Airtight panels	UK, US, Middle East, Asia (HK& Singapore)	Turkey

Competitive Landscape

What else is sold in UK?

- ▶ Plastic access door for roof and ceiling with locks
- ▶ Loft hatches: Is there a market there that doesn't exist in North America?
- ▶ Over 2 hour fire resistance for wall access panels
- ▶ 3/7 sample companies have ISO 9001 or 9002 certification
- ▶ Circular shape ceiling access panels
- ▶ Smoke vents that open to 140° as in Bilco's case)
- ▶ Various lock options to local preference

Competitive Landscape

What Else is Sold in UK? Loft Hatches

Loft Door Access Panel

- ▶ This insulated, draught sealed loft access panel in robust white plastic.
- ▶ Hinged downwards with lock for easy opening.
- ▶ Fixings and instructions included.
- ▶ Easy to install and finished, no need to decorate.
- ▶ Specification: Fitting: 562 x 726mm
- ▶ Opening: 530 x 700mm
- ▶ Price: £50.00 (Excluding: VAT at 17.5%)

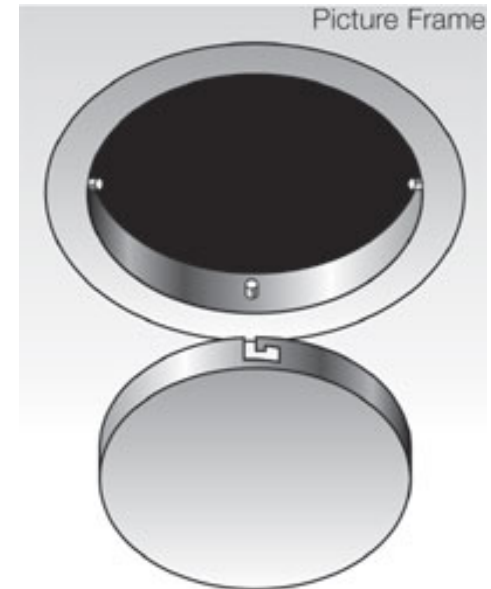


Competitive Landscape

What Else is Sold in UK?

Circular Shape Access Panel

- ▶ Round access panels provide protected openings in ceilings and walls for access to building engineering services where the round outline continues architectural themes blending with other fittings.
- ▶ The narrow 27mm profile can be used in all types of wall or ceiling construction. The panels consist of a removable door tray and frame fully finished in powder coated white which can be overpainted on site to blend with the surrounding surface. (picture and beaded frame for choice)
 - 300 mm diameter: £73.38 = C\$108.60
 - 450 mm diameter: £83.60 = C\$123.73
 - 600 mm diameter £112.60 = C\$166.65



Competitive Landscape

Differentiation: Nelson Vs UK players Acudor: What we have that they don't

Are these differentiated features favored in Europe (EN Standard and market demand)?

- AP-5010: Self-furring lash and galvanized lash for easy application of plaster finish unseen among competition
- Stainless steel Access doors are not commonly seen among competition
- Valve Boxes: have not found similar products
- Not many suppliers of (aluminum) floor access doors: Is market demand limited there?
- Non-hinged access panels are not common from Competitors' portfolios
- Exposed hinge access doors have not been found in any of the sample competitors product portfolio (from their websites)

Competitive Landscape

Differentiation: Nelson Vs UK players Acudor: What they have and we don't?

- ▶ EN standard in fire rating;
- ▶ Over 2 hours fire resistance (up to 4 hours) for wall access panels
- ▶ Circular shape ceiling access panels
- ▶ Roof Hatches that opens to over 78° (140° as in Bilco's case)
- ▶ More lock options to local preference

Competitive Landscape: Outsourcing

Case Study: UK Competitor Profab seeking JV in China

Adrian Allbrighton, Managing Director, Profab Access Ltd

Tel: +44 18 27 718222

Email: Adrian@profabaccess.com



▶ Coventry & Warwickshire Chamber of Commerce (UK), Market visit to China, 20th - 25th October 2008

“Profab Access is a supplier of metal access panels which are used in commercial construction, hospitals, Hotels, Office blocks; they are used in dry lining ceilings and partitions to give access to services such as air conditioning units or service risers. Profab’s business in the UK is made up of two parts, one as a manufacturer of bespoke and specialised products and the other as a supplier of a standard range of products. Profab Access Ltd has been developing its exporting operations over the past Three years and is interested in developing its business as exporter into the Asian market as well as developing its importing operation.

Our main objective for participating in this event is to look at possibilities of a joint venture which would enable us to develop our business in two area’s ,firstly we would have a greater control of quality and supply which would enable us to compete competitively and confidently in other export markets, secondly we believe that the development of Profab in other markets with low cost standard products from a company in China would enable us to increase export sales of bespoke ,specialised and made to specification products from our UK factory.

Profab would be very interested to meet with small to medium sheet metal working companies that are looking for joint venture, we feel a small company with a turnover not in excess of 1000,000 to 1500,000\$ would probably be a good match. “

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Competitive Landscape: Pricing

Price of Popular Products Sold (Source: on-line retail order)

Most Popular Item / Source	UK: www.Jupiterbolue.co.uk (A) (w/o VAT)	US: www.spycor.com lowest price (B)	US: Acudor from www.proproductssales.com (C), or plumbersurplus.com	Price Difference (A-C)/C%
Plastic Panel 14"x14"	£19.4 = C\$32.97	US\$19.02=C\$22.33 (Williams Bro)	US\$21.63=C\$25.39 (PA3000)	30%
Steel Economy Access Panel 12"x12"	£30 = C\$50.98	US\$26.35=\$28.16 (Williams Bro)	US\$23.95=C\$25.57 (UF-5000)	99%
Non-rated Picture Frame Steel Access Door (powder coated zintec steel) 12"x12"	£48.04=C\$81.64	US\$26.35=C\$28.16 (Williams Bro)	US\$22.95=C\$24.53 (UF-5500)	233%
1 Hr Fire-rated beaded frame 12"x12"	£84.20 = C\$143.10	US\$85.65=C\$91.53 (Cendrex)	US\$127.95 = C\$136.73 (FW5050)	4.7%
Galvanized Steel Roof Hatch 24" x 36"	£427.80 = C\$727.04	US\$620=C\$651.87 (Acudor)	US\$609.95 = C\$651.82	11.5%
Aluminum Roof Hatch 24" x 36"	£527.80=C\$896.99 =C\$727.04	US\$1090=C\$1164.82 (Acudor)	(Bilco price is US\$1477 for 30"x37")	-37.58% (A-B)/B

Acudor Market Entry Plan - EU
Acudor Market Entry Plan - EU



Agenda

II. Market Assessment

- Type of Access Doors being used
- Competitive Landscape
- Access Door Selection Criteria
- Value Chain

Access Door Selection Criteria

Key Factors to Affect Buying Decision

- ▶ Product has been tested and meets local standard
- ▶ Product has CE marking, preferably ISO certified
- ▶ Price
- ▶ Quality
- ▶ Service
- ▶ Local distributor preferred if not manufactured locally
- ▶ Flexibility to customize

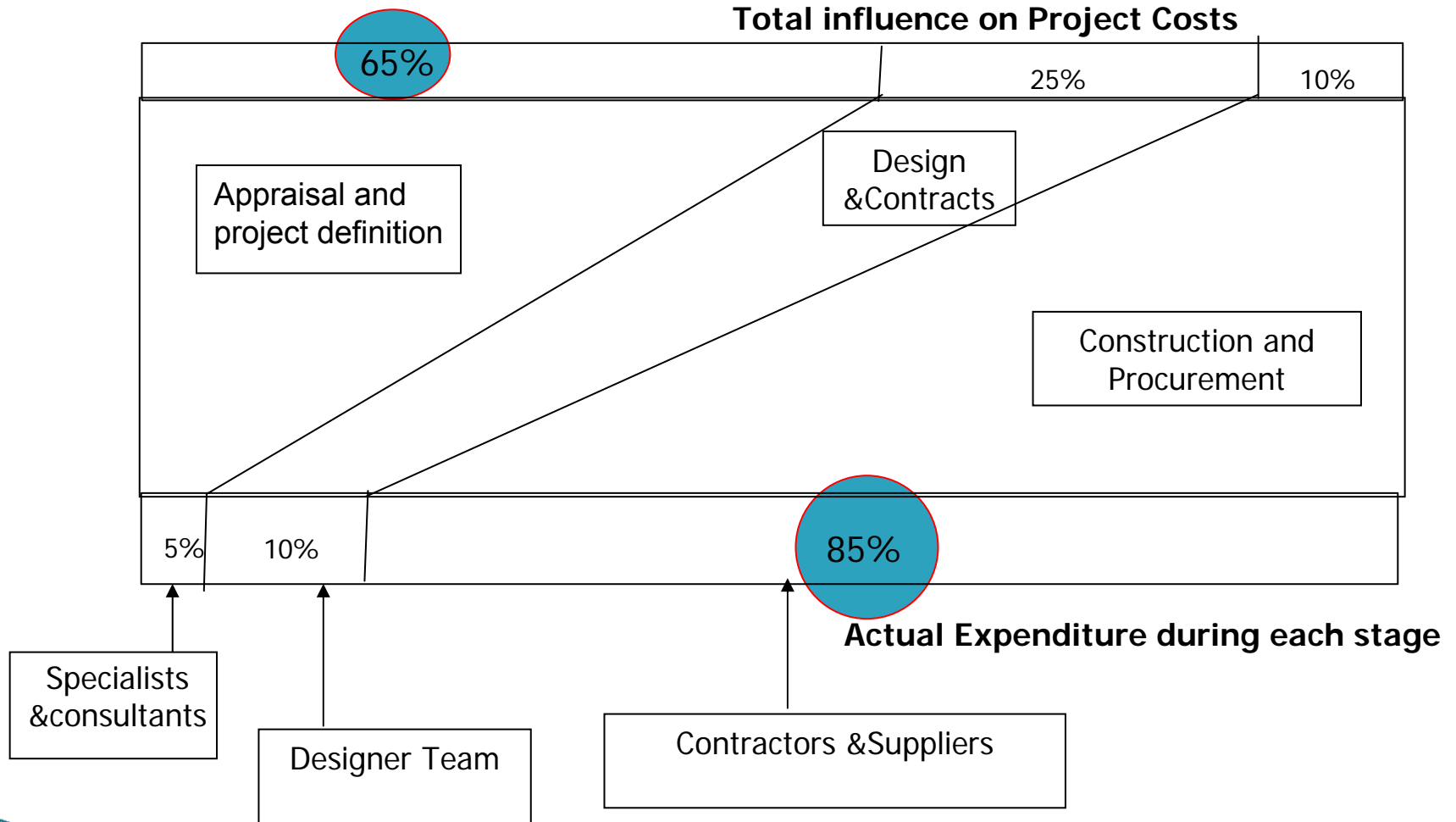
Agenda

II. Market Assessment

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- Value Chain

Value Chain

The Project Value Chain (UK)



Source: Value management of
Construction projects By John Kelly,
Steven Male, Drummond Graham

Acudor Market Entry Plan-
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Agenda

III. Marketing Strategy

- The company's value proposition in UK market
- Product offerings in terms of mix and pricing
- Distribution channels and sales models
- Integrated marketing imperatives
- Acquisition options

Value Proposition

Acudor Brand Positioning

Brand Positioning

An international brand that meets both EU and North American Stand with large selection of product portfolios for access panels ideal for commercial applications

Target segments

Non-residential/commercial projects and infrastructure sectors

Agenda

III. Marketing Strategy

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Product offerings in terms of Mix and Pricing

Acudor Brand and Product Positioning

Product Positioning

- ▶ Full range of product offerings covering any type of wall, ceiling access needs
- ▶ Medium to high end overall product positioning
- ▶ High-end positioning for Aluminum and Stainless Steel Products
- ▶ Sales Volume and Margin Generators from popular China-made models:
 - Plastic doors ,
 - UF5000 (primed coated steel); UF5500
 - FW 5050/ FW5050 DW: Fire-rating tests to be done to EN standard;
 - SF 2000, DW 5040

Product offerings in terms of Mix and Pricing

Product Positioning and Pricing

- ▶ Full range of product offerings covering any type of wall, ceiling access needs
- ▶ Medium to high end overall product positioning
- ▶ High-end positioning for Aluminum and Stainless Steel Products, price remain similar level to North America level
- ▶ Sales Volume Generators and Margin Contributors:
Plastic doors, UF5000 (primed coated steel); UF-5500; FW 5050 (Fire-rating tests to be done to EN standard); SF 2000, DW 5040 priced at 20% higher than North America price

Product offerings in terms of Mix and Pricing

New Product Development

- ▶ Circular shape access Door (plastic, galvanized steel)
- ▶ Plastic door with different lock options
- ▶ Loft access doors with loading capacity (rated and non-rated, plastic and galvanized)

- ▶ Designed to EU standard and manufactured in China.
- ▶ Order to make at the beginning to test market
- ▶ Pricing level: 10% above local average market price

Agenda

III. Marketing Strategy

- The company's value proposition in UK market
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- **Distribution channels and sales models**
- Integrated marketing imperatives
- Acquisition options

Distribution Channels and Sales Models

Strategy: Develop Distributors while Explore Partnership or Acquisition

- ▶ Find a “Notified Body” for CE marking application and EN testing through an authorized distributor
- ▶ Enter the market through distribution of non-rated product first
- ▶ Explore Partnership options for quick market penetration through trade shows
 - Criteria: strong distribution coverage to UK and EU countries
 - Do not currently have outsourcing from Asia
 - The company has limited product portfolio

Distribution Channels and Sales Models

Distribution Tactics: Multiple Distribution Channel: Multiple Access to Value Chain

- ▶ Obtain Building Material Distributors (Kompass, trade commissioner services, etc)
- ▶ Find out where large commercial projects are, contact at project initial planning stage through local Canadian trade commissioners
- ▶ Local architectural firms with North American root for easier access and acceptance for specification through Canadian Chamber of Commerce in UK
- ▶ Attend trade shows internationally to locate distributors in Europe

Distribution Channels and Sales Models

Retailer/Distributor in the DIY channel in Europe

TOP DIY RETAILERS IN EUROPE TURNOVER IN EUROPE 2008 IN BILLION €		
RANK	RETAILER	TURNOVER
1	KINGFISHER	13.7
2	GROUPE ALDEO	10.2
3	OBI	5.8
4	PRAKTIKER	3.9
5	BAUHAUS	2.8 (2007)
6	HOMEBASE	2.6
6	HORNBAACH	2.6
7	RAUTAKESKO	2.5
8	ZEUS	2.0 (2007)
9	MR. BRICOLAGE	1.9 (2007)
10	WILKINSON	1.8
10	BRICOMARCHÉ	1.8
11	WICKES	1.7
12	INTERGAMMA	1.5
13	BAUMAX	1.4
14	FOCUS	1.0 (2007)

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Distribution Channels and Sales Models

Retailer/Distributor in the DIY Channel in Europe

Case Study: KINGFISHER-B&Q

- ▶ The largest DIY retailer in the world, headquartered in UK.
- ▶ Operated in 6 EU countries as well as China, Taiwan and Turkey
- ▶ Most international retailers in the UK as 40% revenue and profit came from non-UK territories
- ▶ Main operating business is B&Q Inc. B&Q reported no negative growth in 2009 due to its market expansion in China
- ▶ B&Q merged with French DIY retailer Castorama and became the largest DIY retailer in Europe.
- ▶ Outsourcing: B&Q set up a buying office in India a couple of years ago
- ▶ In 2001, B&Q entered the lucrative Chinese market and opened its largest worldwide store in Shanghai. A further three stores were later opened in the Shanghai district together with four more in other regions of the People's Republic of China (PRC)
- ▶ B&Q now have 50 stores in China in eight cities, 10,000 employees, and more than £300 million (about \$524 million) in sales. It is now also the largest DIY chain in China

Distribution Channels and Sales Models

Retailer/Distributor in the DIY Channel in Europe

Case Study: KINGFISHER-B&Q:
What's on their online store

Manthorpe Dropdown Loft Access Door 17378 White (H)566mm x (W)726mm (UK) £29.98

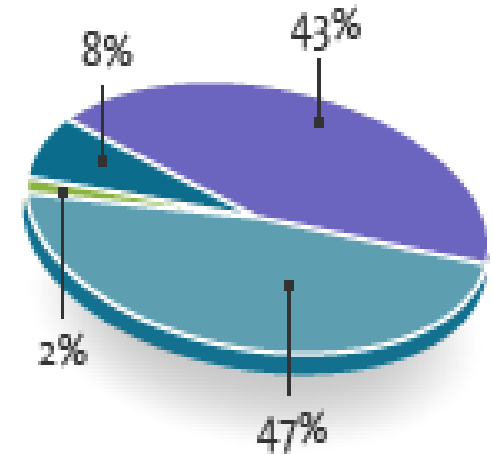


Distribution Channels and Sales Models

Retailer/Distributor in the DIY Channel in Europe

Case Study: Saint Gobain

- ▶ Saint Gobain Distribution is the No. 1 building materials distributor in Europe, N° 2 world distributor for tiles In 2006
- ▶ Saint-Gobain's Building Distribution sector had sales of & euro; 17.6 billion (US\$24.3B). Its 67,000 employees operate a network of almost 4,000 sales outlets in 24 countries.
- ▶ Biggest operations are in France, UK, Germany and the Scandinavian countries. (also have operation in North America, Asia, India, South America)
- ▶ It serves the new building, renovation and major home improvements markets. Its customers are sole traders and SMEs in the building trade, architects and advisers as well as private individuals working on their own projects.



- France
- Other Western European countries
- North America
- Asia and emerging countries

Distribution Channels and Sales Models

Retailer/Distributor in the DIY Channel in Europe

Case Study: Saint Gobain Distribution Outsourcing

- ▶ Saint-Gobain has been present in China since 1985. It has 46 subsidiary companies operating in a range of markets including flat glass, insulation, gypsum, ceramics & plastics, abrasives, pipes, building materials and distribution.
- ▶ Saint-Gobain's sales in 2008 in China totalize about 8750 millions CN yuan. It employs over 11700 people throughout China today.
- ▶ Saint-Gobain has established 35 industrial companies throughout China, as well as 8 trading companies, 1 Holding Company, 1 research center and 1 management company.
- ▶ Although data not available, presumably access panels are outsourced from China.

Distribution Channels and Sales Models

Retailer/Distributor in the DIY Channel in Europe

Conclusion

- ▶ It would be difficult to penetrate construction channel retailer and the DIY channel with Canadian made products due to cost, as these channels have their own outsourcing channels from Asia
- ▶ Can use local importer/distributor who has existing distribution channel to Retail/DIY channel as per order basis at the beginning for order replenish
- ▶ Long Term Strategy: Provide private label design manufacturing service for retailers from Asia

Agenda

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- Acquisition options

Integrated Marketing Imperatives

International Marketing Initiatives

- ▶ Specific headcount to look after international marketing and business development
- ▶ Use online shopping sites to list products:
 - <http://www.theconstructionindex.co.uk/view-companies/Access-Panels/2736>
 - www.Jupitorblue.co.uk
- ▶ Search Engine Optimization: google.co.uk
- ▶ Validate online transaction for international orders on Nelson and Acudor sites
- ▶ Attend international trade shows for designated markets:
 - Visit: INTERBUILD Oct 17-20, Birmingham, UK
 - Exhibit at BAU January 17-22, 2011, Munich, Germany

Integrated Marketing Imperatives

International Marketing Initiatives

- ▶ Acudor International Website – multi-language (by country option, in French, German)
- ▶ Translation of Collateral Materials for Trade Show
- ▶ Easy to assemble display panels for trade shows in 3 major European languages
- ▶ Look into government funding for international marketing efforts – Southern Ontario Development Program may cover 75% marketing costs (will start in April 2010)
- ▶ Customer relationship database management options to rationalize long term international business management

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Acquisition Options

Potential Acquisition/Partnership Target-1

M&M:

- ▶ Product offerings: Wall, Ceiling, Floor, Roof but has narrower portfolio under each category than Nelson
- ▶ Extra Product offerings than Nelson: Ladders/Grilles/Lorvres which can add Nelson's product extension in Europe as Nelson may need to provide ladders if develop Loft Access Doors
- ▶ M&M's Strength in the value chain (architects, specifiers can offset Nelson's lack of local market knowledge in this respect and facilitate product testing and certification
- ▶ M&M is ISO certified, quality of its existing product and manufacturing process can meet Nelson's standard
- ▶ Added Value for Nelson: M&M's strength in value chain influence
- ▶ Added Value for M&M: large product portfolio of Nelson

Acquisition Options

Potential Acquisition/Partnership Target-2

Ace Ceiling

- ▶ Product Offerings: Ceiling, Wall, Corridor Access Solutions
- ▶ Ace's complete Corridor Access Solutions (include full customization for ceiling solutions) will enhance Nelson's local competence in this area where Nelson is strong in North America and help provide more solutions to contractors
- ▶ Architectural Metalwork Division complements Nelson's Architectural Metal department and provide Nelson's immediate market access to this second business category
- ▶ Ace's strength in customization and design with local standard will quickly bring Nelson to a strong position with architects, engineers and specifiers
- ▶ Ace has Middle-East operation and warehouse in Dubai, which gives Nelson quick market capture
- ▶ Added value for Nelson: Full ceiling solution, full customization in local standards; Design capability to EU/BS standards, Architectural metal; Middle east operation

Added value for Ace: wall and floor access products

Acquisition Options

Potential Acquisition/Partnership Target-3

The Access Panel

- ▶ Product Offerings: Ceiling, Wall, Ceiling/Wall/Loft access
- ▶ Narrow product range makes them need the full lines and good quality products Nelson brings
- ▶ Strong Distribution within UK, they are currently distributing products from other manufacturers besides their own label
- ▶ Internet online order is a focus of the business, which Nelson can take great advantage of
- ▶ The Company is still small, which makes it cheaper to acquire
- ▶ Added Value for Nelson: Distribution and Quick-market entry
- ▶ Added Value for the Access Panel Company: The Access Panel doesn't have and may need the capability Nelson has in Product Development and Design