



## MANUFACTURING OF EXERCISE MACHINES

### PROJECT

There is provided a project on **launching production of exercise machines**.

The project is promising due to the following reasons:

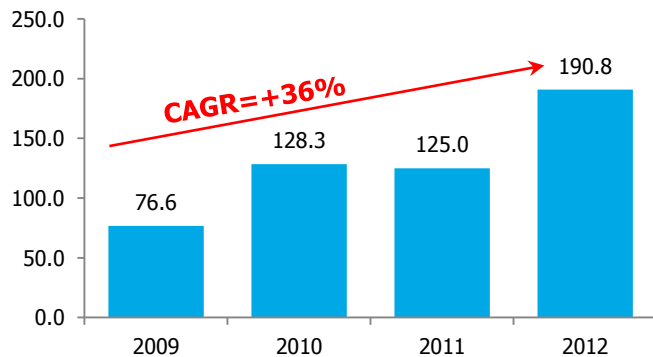
- Russia is among world's top 10 importers of exercise machines, imports in 2012 - more than **USD 190 mn**.
- Growth rate of fitness industry in the world is only outraced by the ones of nanotechnologies.
- Fitness services market in Russia has a huge potential for growth (potential capacity is **USD 2 bn**) – only **3%** of Russian population is engaged in fitness activities (as compared with the Netherlands – **16%**).
- Most popular fitness-service in Russia is gym going (**59%**).
- Capital expenditures for the project may total **USD 10-15 mn**, payback period – **4-5 years**, IRR - **18-22%**.

### MARKETS

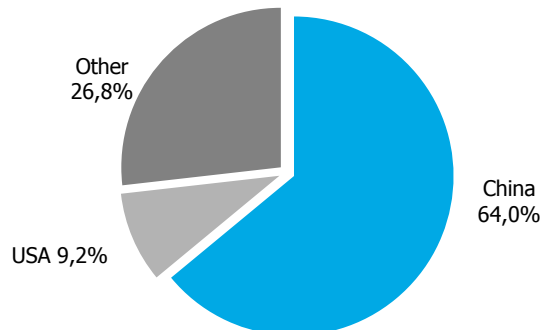
#### Customs Union market and Ukraine:

- Russia is among **top 10** world importers of exercise machines (imports in 2012 – **USD 190,8 mn**).
- Annual average growth rate of exercise machines import in Russia over 2009-2012 totaled about **36%**.
- Aggregate exercise machines imports in Belarus, Ukraine and Kazakhstan in 2012 totaled almost **USD 40 mn**.
- China – world's largest exporter of exercise machines (exports in 2012 – almost **USD 4 bn**) – accounts **for 64%** in the total exercise machines import structure of Russia.

Imports of exercise machines in Russia, USD mn



Exercise machines import structure in Russia



## MARKET OPPORTUNITIES

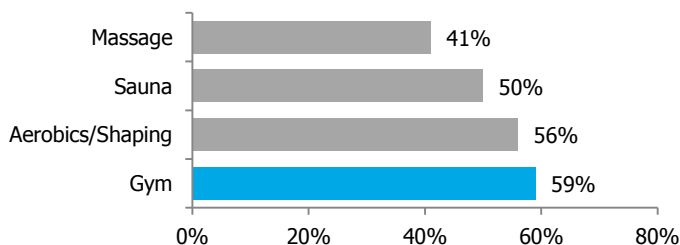
### Global opportunities:

- Growth rate of fitness industry in the world is only outraced by the ones of nanotechnologies.

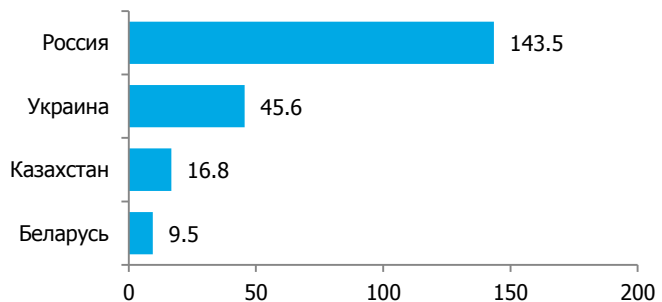
### Local opportunities:

- In Russia **29,4 mn** of people do sports. By 2020 number of people engaged in sports activities is expected to double.
- Fitness services market in Russia has a huge potential for growth – only **3%** of Russian population do sports, while in Great Britain – **6%**, USA – **14%**.
- An important driver for growth of expenditures for sports goods and going for sports is per capita income – in 2012 it totaled **USD 700**, annual average growth rate over 2009-2012 was **11%**.
- Fitness services market in Russia is projected to reach **USD 1 bn** with annual average growth rate of **20%**.
- According to "Deloitte & Touche", potential capacity of Russian market is **USD 2 bn** a year.
- Level of market saturation in "Premium" and "Luxury" segments is about **70%**, in "Middle class" and "Economy" segments – only **40%**.
- Key market drivers (as well as demand for exercise machines) are growth of population's purchasing capacity, popularization and prestige of sports activities, drawing attention to healthy lifestyle.

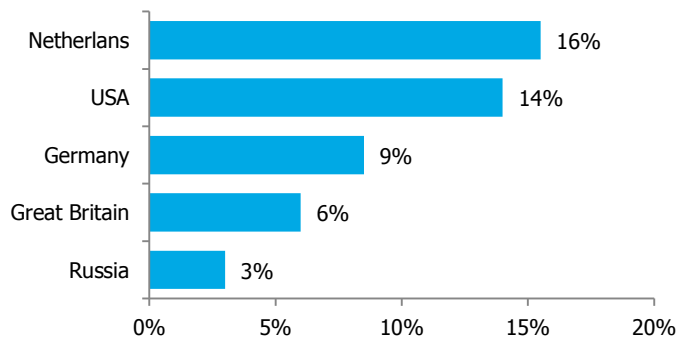
#### Most popular services in fitness clubs



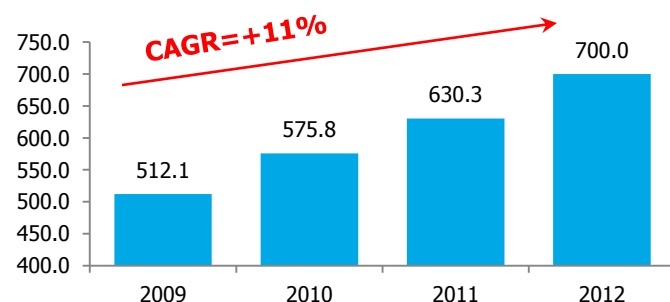
#### Population, mn people



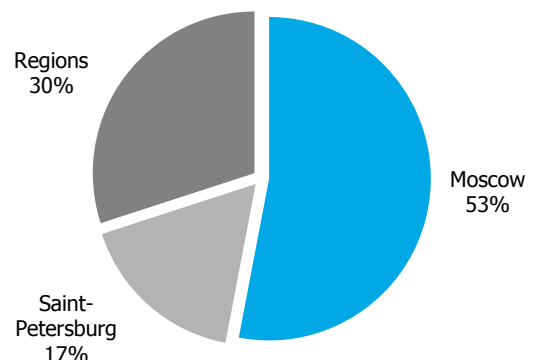
#### Percentage of population going to fitness clubs



#### Per capita income in Russia, USD



#### Structure of fitness services in Russia in money terms



## INVESTMENT OPPORTUNITIES

- Capex for the project may total **USD 10-15mn**.
- Payback period is about **4-5 years**.
- IRR varies within **18-22%**.

## POTENTIAL INVESTORS

- Strategic investors** – global companies (Chinese in particular) with appropriate technologies and experience in manufacturing of exercise machines.
- Forward integration** – companies engaged in the industries - key consumers of exercise machines – wholesale and retail sports goods chains, gyms, etc.