

Kapten Schnell's

# HOT COD

The seafood answer to hotdog



## Memorandum | Vendula AB

**New share issue** | Stockholm February 2018

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# 1. Executive summary

## a) Hot Cod 2017

**2017 is a breakthrough for Hot Cod.** Here are the most important events in brief:

- In February, the renowned food magazine Allt Om Mat conducts a blind taste test of the market's fish sticks. The panel rewards Hot Cod with a top rating.
- In May, Hot Cod is listed at ICA, Sweden's largest grocery retailer with over 1,200 stores. Now all stores can receive Hot Cod directly from ICA's central warehouse. Hot Cod has previously been listed at Bergendahls and is sold via their grocery chains City Gross (39 supermarkets) and Östensson (9 stores).
- An external sales company is engaged in order to increase the number of stores selling Hot Cod as well as increase sales in existing stores. Today, Hot Cod is sold in more than 300 food stores around Sweden.
- Alaska Seafood Marketing Institute (ASMI) is approached. They like the concept of Hot Cod and grant us \$ 30,000 in marketing contribution for 2017 and show great interest in continuing the collaboration in 2018. <https://www.alaskaseafood.org>
- The sales to public school kitchens is increasing during the year and we now count over 90 municipalities on our list of customers. The distribution to schools is managed via Sweden's two largest wholesalers; Martin&Servera and Menigo.
- Two new versions of Hot Cod are launched. One with a breeding consisting of 99.9% ecological ingredients and one with tempura battering. In Sweden, more and more municipalities focus on ecological food and the tempura version is designed for street cooking where frying is the preferred method for making Hot Cod.
- During the summer, our customized saw machine is delivered. It is specially built to cut frozen fish fillet blocks into rhombs (the first step when shaping a triangular Hot Cod). The machine currently has a production capacity of 530 kg/h and the potential is up to the theoretical maximum of 800 kg/h.

- Right before the summer, Swedish radio and television profile Adam Alsing steps aboard Captain Schnell's vessel as a new share holder. Adam does three videos for Hot Cod that are run in social media and poses as the front figure in an advertisement in Expressen, one of Sweden's largest evening papers.

## b) Next step - 2018 and 2019

- The media fund Aggregate Media strongly believes in the Hot Cod concept and wants to invest in Vendula AB. They offer media space in various channels to a gross value of SEK 5 million.
- By the end of 2017, 300 food stores sell Hot Cod and plan to bring the product into another 400 stores in 2018. The increase is based on an expected listing with both COOP and Axfood during the year, as well as continued growth in the number of ICA-stores.
- Estimated sales to grocery trade 2018 is 11.8 million.
- 2017 sales have increased by over 230% and in October last year, we rounded our first million sold Hot Cod. In the next phase we will focus on making the brand more known to the public and create consumer demand.
- Sweden's municipalities have long-term goals and strategies to reduce the amount of red meat served in schools. They therefore continue to be an important customer segment for us. The target for 2018 is to sell Hot Cod to 110 municipalities. Expected volume is 55 tonnes of Hot Cod and approximately SEK 3 million in revenue.
- We have also started to export our product and now sell Hot Cod to Germany, Belgium and Finland. Samples have also been sent to Norway and Denmark for evaluation and we are continuously fishing for partners in new countries.
- During 2019, we will focus on increasing the number of retail stores in Sweden with the aim to sell Hot Cod via 1100 stores spread all over the country and generate sales of SEK 36 million.



## 2. Background

### a) The idea behind the product

**The idea behind Hot Cod was born when Captain Schnell was in his teens.**

At the time, the food served at school was not very good, so young captain Schnell and two classmates decided to go home and make their own food during lunch break. With just an hour at their disposal it had to be easy to cook and taste good.

Captain Schnell's contribution to the menu was fish fingers in hot dog buns, topped with remoulade. The meal, which was appreciated by all three, soon became a favourite. The only problem was the shape. One fish stick in a bun tasted too little fish and with two fish sticks they tended to fall out. That's when the idea of a longer fish stick was born. And, if it was triangular, it would both fit perfectly in a hot dog bun and keep the sauce in place.

Captain Schnell continued to make fish sticks in hot dog buns and 35 years later, he decided to do something about the shape. The result is Hot Cod – a healthier and more playful alternative than hot dog. Hot Cod is a breaded, clean-cut 16,5 cm long fish fillet with a cross section of an equilateral triangle to make it fit perfectly in a hot dog bun. Today, Hot Cod can be purchased in many retail stores and is served for lunch in schools all around Sweden.



CARL SCHNELL

### b) Hot Cod - challenging the hot dog

In April 2015, Captain Schnell's Hot Cod was introduced on the Swedish market. Hot Cod is a breaded, clean-cut fish fillet with a whole new shape. With a triangular cross section and generous length, it fits perfectly in a hot dog bun – and keeps the sauce in place!

Hot Cod is made of Alaska Pollock fished in the North East Pacific in accordance with MSC regulations. The fish is called *Gadus Chalcogrammus* in latin and belongs to the family of codfish. The fish is filleted and frozen within hours from capture directly at sea, which make the white meat extra juicy and nice in consistency.

#### Hot Cod comes in 3 versions

- Free from gluten - containing rice and corn flour
- Organic; 100% organic breading (not gluten free)
- With tempura battering, perfect for frying.

The innovative aspect of Hot Cod is its unique shape, the way it is consumed and its ingenious name that is a travesty on the globally known concept of hot dog. It is obvious to everyone that Hot Cod is fast food made of fish, not meat.



#### FACTS ABOUT HOT COD

**Length:** 16,5 cm lång

**Shape:** triangular cross section where each side is 2,7 cm wide

**Wight:** 60 gram

Keep in maximum -18 C (18 months durability)

Made of alaska pollock (a cod fish)



Wild, Natural & Sustainable®

### c) Identity and packaging design

The brand's graphic identity is designed to appeal to our primary consumer target group; active families with children. It shall both convey our identity and the fact that Hot Cod is a premium product.



The main message in all Hot Cod marketing is: Tasty, fast and easy to cook. Our communication may also convey other product benefits such as:

- A healthy alternative
- A bit healthier, a bit more fun
- Rich in Omega 3
- MSC certified fish from sustainable stocks
- Gluten-free or organic breading
- Test winner
- Sustainable fast food
- High quality

### Packaging design

In order to meet our customers' needs, we offer Hot Cod in different box sizes.

To the grocery trade, we sell packages containing 8 consumer boxes (total weight 3.84 kg) which in turn contains 8 Hot Cods each (total weight 480 grams). To the wholesale we have boxes containing either 5 or 2.5 kg.



PACKAGING FOR RETAIL

### d) Trademark and protection of concept

The product is called "Hot Cod" and it is marketed under the name "Captain Schnell's". It is not possible to protect food products in terms of taste, color, shape or recipe. Since the product name and its unique shape represent the true values of Hot Cod, we must do everything in our power to protect the concept. We have applied for a patent for the shape and different features of Hot Cod, but without success. Nor is it possible to register "Hot Cod" as a trademark since it is considered a general description of hot or spicy codfish.

Instead, we have registered "Schnell's Hot Cod" as a trademark (registration number: 014183602, European Union Intellectual Property Office). We are currently awaiting trademark registration from the U.S. Patent & Trademark office. We have omitted the word "Captain" in our applications, since it is a title spelled differently in most languages.

The real strength of our brand lies in the combination of the way we use it and the registration. Since they are the same, they reinforce each other.

In Sweden we have registered "Hot Cod" as a secondary company name to Vendula AB and for the internet we have registered the domains [www.hotcod.com](http://www.hotcod.com), [.se](http://.se), [.eu](http://.eu), [.co.uk](http://.co.uk) and [.net](http://.net)

### Production technique is a barrier

The strongest and most effective protection of the concept is the shape of Hot Cod, with a triangular cross section. There are no standard machines in the market that can saw these angles (we know this from intense search for subcontractors).

During 2017, Vendula AB has invested in a tailor-made saw machine developed and built for the purpose. It is owned by Vendula AB and operated by our subcontractor. We consider it unlikely that a competitor creates a similar production tool before Hot Cod has proven to be a success. When that happens, it is a far better deal for them to acquire Vendula AB (more information about our exit strategy is available on page 17).

## 3. The Swedish market

### a) Definition

We have defined our market as the fast food market and the market for breaded fish products. When we sell through retailers, it is the market of frozen fish products we are in and when we sell through food service, we are in the fast food market.

### b) The market in numbers

- Within the retail segment, the annual food consumption in Sweden is about SEK 240 billion. Of these, about 12 billion are related to fish. We expect the fish category to grow in the coming years, mainly due to new health and environmental trends (see page 12: Trends and consumer behaviour.)
- The Swedish fast food market has a turnover of SEK 23 billion annually. Take away stands for approximately 2 billion and convenience stores (gas stations, 7-Eleven etc.) account for another SEK 3 billion.
- Most gas stations offer fast food and the hot dog stands for approximately 30-35% of the total sales. Today, there are no fish options on their menus, and our ambition is therefore to prove that Hot Cod is a great complement to hot dogs and has its rightful place along the roads.
- Swedes eat sausage 1-2 times a week and the average consumption is 150 grams per person. Men eat twice as much sausage as women. Estimated annual consumption is approximately 80,000 tonnes (Food Agency's report: Riksmaten 2010-2011). Hot Cod does not even have one per mille of this volume yet!
- Last year, the breaded fish category had a value of about SEK 2 billion. Our target for 2018 is to take 0.7% of that market.
- According to Swedish law, 1.8 million pupils shall be served lunch every day at school. That is equivalent to about SEK 300 million lunches served each year and with a value of SEK 3-3.5 billion.

### c) Our target audiences

Hot Cod is a new "grab n' go" product that is equally suitable for serving in schools as well as at 7-Eleven. We also know that Hot Cod appeals to families with children and to single households.

#### Families with children

Our primary target audience is the modern family with children, who live active lives. Due to busy schedules, this group seldom finds enough time to cook advanced meals. They have to be in time for dancing class, theatre, football training and so on. It is a great relief for them to be able to quickly cook something that the whole family likes.

The active family strive for a healthy lifestyle and for them it is important to eat well – even when time is scarce. For this group, eating habits are as much about avoiding unnecessary calories in take away food, such as pizzas and hamburgers, as it is to avoid products with dubious content, such as certain sausages. They are neither nutritionists nor vegans, but can easily opt out red meat for fish and vegetarian alternatives, as long as it tastes good.



HOT COD IS  
A FAVOURITE  
AMONG KIDS

There are 1.1 million families in Sweden with an average of 1.7 children living at home. About 40% of the population belongs to this group.

At an early stage, we conducted a market survey that clearly showing more or less everyone likes Hot Cod. There is virtually no difference in the preference between the sexes or between young and adults. However, it is clear that Hot Cod is the children's favourite.

### Single households

We also target single households. Living alone, you sometimes feel uninspired to cook for yourself. Then it's nice to know you have something tasty, fast and easy to cook in the fridge.

### Schools

In Sweden nearly two million pupils are being served lunch every day at school. If all were to be served Hot Cod for lunch once a year, it would amount to 270 tons ... 2017 we sold 38 tonnes Hot Cod to schools in Sweden and we have about 80 out of 290 municipalities on our customer list.



HOT COD SERVED AT A SCHOOL IN KARLSTAD

## d) Positioning and unique selling points

We are the challenger of the traditional hot dog and see ourselves as a healthier and more sustainable fast food alternative than red meat.

Hot Cod is a premium product within its segment and in a wider perspective we also compete with other breaded fish products (It is among the manufacturers of those products that we most probably will find our future competitors – read more on page 14; Competitors in production).

### Unique selling arguments:

- Hot Cod is **a healthier fast food alternative** than the traditional hot dog.
- Hot Cod is **made from MSC-certified fish**.
- Hot Cod is made of fish **rich in Omega 3** – a nutrient that is essential for us, reducing the risk of cardiovascular disease.

Since a growing part of the population is gluten intolerant, we have made a breading **free from gluten**. To meet the growing demand from schools, we also produce a version of Hot Cod with **100% organic ingredients** in the breading.

## e) Consumer pricing

In retail stores, Hot Cod is sold for SEK 49:90 / package or SEK 104/kg. The price of sausage / hot dog, in comparison, varies from SEK 40 / kg to 300 / kg. The wide price range depends on content and quality.

Traditional fish sticks are sold at about SEK 50 / kg, while breaded fish products aimed for an adult target group cost about SEK 100–130 / kg.

In other words, Hot Cod is more expensive than both hot dogs and fish sticks. Our unique selling points and high quality however, justifies the price and position in the top segment.

It is interesting to note that adults are prone to spend less money on food that they serve their children than they are prepared to pay for food to themselves.



## 4. Sales and distribution

**To achieve our goals**, and succeed with Hot Cod, an experienced and motivated sales force is required. Since more than a year back, we have hired a sales consultant who manages all contacts with purchasers for schools (managed by the municipalities). We have also engaged a sales consulting company to sell Hot Cod to new retail stores. Captain Schnell himself takes care of the administrative work, keeps in touch with the central departments of major retail chains and manages the export.

In 2017, sales increased by more than **230%** and in October we rounded our first million sold hot cod. In addition to this, sales have gone from push to pull. I.e. more and more customers turn to us to buy Hot Cod.

### a) Distribution today

#### Grocery stores

In Sweden, four retail chains dominate the market; ICA, COOP, Axfood and Bergendahl.

**ICA** is the largest with a market share of 51%. +1300 stores stand for an annual sales exceeding SEK 100 billion. Hot Cod is listed at ICA and is now available in over 240 stores.

**COOP** is second largest with 700 stores and over SEK 16 billion annual sales. We have applied for central listing and await decision in February. Hot Cod is currently sold with great success in their largest store in Bromma Blocks, which is an excellent reference for us.

**Axfood** is the third largest chain with about 800 stores. We do not see a central listing with them as probable before the fall of 2018.

**Bergendahl** is group of several retail chains operating under different names; City Gross, Östenssons, Matrebellerna, Eko etc. The group has 140+ stores and 7% market share. Hot Cod is listed and sold in 40+ stores.

#### Food service and schools

In Sweden, Hot Cod is listed with the three largest wholesalers; Martin & Servera, Menigo and Svensk Cater. Martin & Servera is by far the largest with a turnover of more than SEK 12 billion. The other two have turnovers of approximately SEK 5 billion each. The schools buy Hot Cod directly from wholesalers through public contracts.

**Schools** continue to be an important customer segment for us and the target for 2018 is to sell Hot Cod to at least 110 municipalities. This corresponds to approximately 55 tonnes of Hot Cod and about SEK 3 million in turnover.

**Other major players** like IKEA, Statoil, OKQ8, Reitan, Preem etc. have also shown an interest in Hot Cod. However, we do not see any immediate business opportunity right now, but have an ongoing dialogue with all of them.

## Hot Cod distribution December 2017



240+  
stores



30+  
stores



9  
stores



1  
store



1  
store



## b) Sales forecast 2018 and 2019

Today, Hot Cod is sold in about 300 retail stores around Sweden, and we estimate an increase to about 700 stores by the end of 2018.

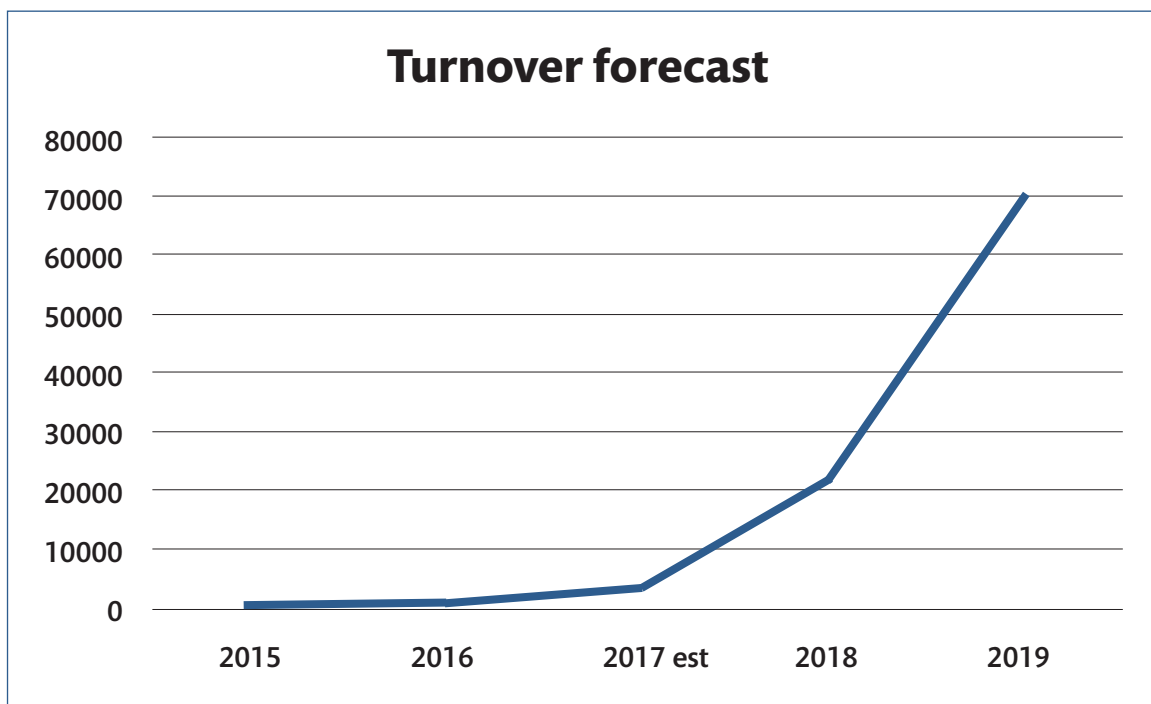
The increase is based on an expected listing with COOP from week 20, providing 100 new stores. We are also counting on a listing with Axfood during the fall, which would add another 100 stores. The remaining part is based on a growth in number of ICA stores.

**In 2018, the sales to grocery stores is budgeted for 11.8 million.**

In 2019, our target is set to sell Hot Cod via 1 100 stores and reach a turnover of SEK 36 million. The graph below shows the expected sales forecast including export until the end of 2019.



ICA KVANTUM STRÖMSTAD (INSTAGRAM)



TURNOVER IN TSEK

## 5. Marketing

The fact that we sell and distribute Hot Cod to the market does not automatically mean that consumers buy our product. Firstly, we have to raise their interest and secondly, we must convince them to try Hot Cod.



### HOT COD IS TESTED BY CAFÉ MAGAZINE

Here is a brief summary of our marketing activities carried out in 2017 as well as glimpses from the start-up phase. On page 18, there is more information about our plans for marketing Hot Cod forward.

### a) Promotional activities

#### Grocery stores

From experience, we know that tasting in stores is the most efficient way to get consumers to try our products. Since the start, we have carried out more than



TASTING AT ICA MAXI STENHAGEN IN UPPSALA

100 tastings annually and we plan to continue with these in the coming years.

In-store tastings make our brand visible to consumers whilst luring them to try our product. Also, Hot Cod is exposed directly for purchase and when we do not have physical representation, we can still attract consumers to test our product by using discount coupons. Store activities help us to increase our customer base and drive sales in a cost-effective way.

#### School canteens

Sweden consists of 290 municipalities that have a responsibility to serve pupils lunch every day at school and our mission is to convince them to serve Hot Cod to school children on a regular basis.

Last year, 38 tonnes of Hot Cod were served in Swedish schools (= 635,000 pieces). The name Hot Cod is always written on the menu, which contributes to establish awareness of our concept among school children. The schools are provided with posters to put up on walls or boards when serving of Hot Cod.

#### Exhibitions

In order to reach new customers and new markets, it is important that we are represented at relevant fairs, both in Sweden and abroad.

Since the start, Hot Cod has participated in fairs such as GastroNord, Fast Food & Café, Mat För Livet and Den Goda Smaken. In June last year, we participated in Sweden's largest food festival; Smaka på Stockholm in Kungsträdgården.

#### IN 2018 HOT COD WILL BE AN EXHIBITOR AT THE FOLLOWING FAIRS:

- Fish International in Bremen
- GastroNord in Stockholm
- Seafood Expo Global in Brussels

## Social media and other channels

In 2017, we marketed Hot Cod via sponsored posts on Facebook and Instagram. These channels give us the opportunity to spread our message regionally – i.e. where Hot Cod is sold. The posts conveyed 1) our name, 2) the way Hot Cod is served, 3) our unique selling points and 4) stores where Hot Cod is sold.



VIDEO POSTS ON FB

Advertising in trade magazines has supported our sell-in to retailers and wholesalers during 2017.



PRINT AD FOR THE LAUNCH OF THE NEW HOT COD WITH ORGANIC BREADING



FULL PAGE IN NATIONAL EVENING PRESS

Since last summer, Hot Cod has been reinforced by the popular TV and radio profile Adam Alsing. He has made three short films promoting Hot Cod and has posed as endorser in a full-page ad that was inserted in the national evening paper Expressen.

## Top score in taste test

A blind test for fish fingers on the Swedish market was conducted by the major food magazine Allt om Mat during spring 2017. The panel awarded Hot Cod with the highest rating; 5 forks! The seal above guarantees good taste and quality and is used in various contexts.



## Marketing forward

In the next step we will increase focus on building awareness of the brand among consumers and driving demand in stores. On page 18 there is more information about our marketing plans forward.



## 6. Growth potential

The journey towards our goal to establish Hot Cod as the world's new fast food product has only begun. We believe that our potential to get there is great. Partly thanks to the globally established concept of "hotdog", making it easy for consumers to remember the name, and partly due to the continuous sustainable trend, encouraging people to live and eat healthier.

Our concept will also benefit from the constant lack of time that many experience today, where cooking is a time-consuming task that Hot Cod can help to solve.

### a) Trends and consumer behaviour

#### Cut down in consumption of red meat

The environmental arguments for reducing the consumption of red meat has to do with production generating large amounts of methane gas. But it also requires huge amounts of water. Particularly in comparison to chicken or vegetable breeding.

The health arguments for reducing the consumption of red meat are based on the fact that more and more research results show an increased risk of getting different types of cancer. Today, there is proof that processed meat from beef, pork and lamb cause cancer of the colon and rectum. (Source: Food, Nutrition, Physical Activity and Cancer Prevention, a report from the World Cancer Research Fund 2015.)

According to Food & Friends Annual Food Report 2016, about attitudes and behaviours related to foods and away from home, just over a third of the respondents plan to reduce their meat consumption. According to the same report, chicken is now the most common everyday dish in Swedish homes, before Spaghetti Bolognese. Fish is number three.

The trend to eat less red meat is here to stay. This is evident also when we listen to Swedish municipalities telling us about their long-term goals and strategies for serving better food in school canteens. Karlstad is just one example of a township that wholeheartedly invests in a healthier diet for students.

For the growing Muslim population in western Europe, who does not consume sausage made of pork for religious reasons, Hot Cod is also an interesting fast food option.

Another potentially strong target audience is so-called millennials (born in the early 80's to early 00's). They wish to contribute to a better world through a sustainable lifestyle and seek alternative food to live healthier.

#### Lack of time

Scarcity of time related to an urban lifestyle is also an issue today. For many, it is a challenge to deal with both a demanding job and family activities, whilst cooking needs to be fast and easy. Food & Friends Food Report 2016 states that families use 30 minutes in average to cook an everyday meal. Hot Cod will help reduce the time without sacrificing quality or taste.

#### Consumer behaviour

In 1871, the first street food stand appeared in New York city. Today, they are a common sight around the world and various type of foods is now served in hot dog buns. In South America you get pulled pork with guacamole in hot dog buns (1), in Asia BBQ pork is served in bread (2) and in the U.S., "lobster roll" has become a the #1 fast food meal on the east coast (3). In other words; to eat fast food in hot dog buns is already an established behaviour in many parts of the world.



IMAGES FROM  
INTERNET

## b) Export

The Swedish market is just the first leg on our journey. On the next stretch towards our goal, we aim for new countries and continents. With a concept name that has an Anglo-Saxon ring to it and a way to eat fast food that is already accepted in many cultures, only small adjustments are needed when launching the product on new markets.

Today, the export represents only a fraction of our sales, but the expansion is in full swing and contacts with other markets are gradually being built up. The inner market of Europe itself, has over 500 million inhabitants and with a harmonized regulatory framework there are no administrative barriers for our expansion to these markets.

Since the global market for fast food is huge, it is of great interest for our growth. Currently, a lot of work goes in to finding the best suited partners in various countries. So far, we have managed to establish good relations in Germany, Belgium and Finland and via contacts we have evoked an interest for Hot Cod in China and the U.S.A.

According to our estimates, export will reach a turnover of MSEK 5,7 in 2018 and MSEK 29 in 2019.

### Where do we stand today?

Here's a brief summary of how our export is developing:

**Germany:** Since the start year in 2015, Hot Cod is sold at Germany's largest amusement park, Europa Park, outside Stuttgart. We also have a conversation with Pickenpack GmbH, one of Germany's largest fish

sales organizations, regarding the launch of Hot Cod in Germany. Pickenpack is a subsidiary of Trident, a large American seafood manufacturing company, that also may be our springboard when entering the North American continent and Asia.

**Belgium and France:** Via Excellent Seafood, a small wholesaler in the street food industry, we have launched Hot Cod in Belgium. Thanks to their good contacts with the Belgian leading grocery chain Delhaize, we have also been offered the opportunity to conduct a sales test in 10 of their stores. Excellent Seafood will also approach their customers in the Netherlands and northern France.

**Norway:** A local contact in the food industry helps us in our efforts to bring Hot Cod to the Norwegian market.

**Finland:** In early December last year, we sent samples to an importer in Finland and in January we received the first order. The next step is to create consumer packaging in Finnish.

## c) Product development

In convenience stores (gas stations, 7-eleven etc.), time is an important factor and hot dishes can only take up to 2½ minutes to prepare. To meet this demand, we have produced test batches of ready-fried Hot Cod that only need to be heated in a microwave oven before serving. In collaboration with Primulator AB, deliverer of all ovens to CircleK, the ready-fried Hot Cod was heated with a very positive result; they were as tasty and crispy as the ones fried on a regular cooktop.

Currently we don't have any customers requesting this product and we therefore do not keep ready-fried Hot Cod in stock. However, we are well prepared to start production when the market is ready.

# 7. Production

## a) Collaboration with subcontractor

Since the start-up, Hot Cod has been produced by a subcontractor in Varberg in the south of Sweden. In 2016, the company was acquired by Norwegian Marenor AB. Producing Hot Cod in Sweden has given us many advantages in terms of product development as well as logistics and distribution management.

However, the combination of high labor costs and change of ownership has altered the conditions so that continued production in Sweden no longer is possible. The plan is therefore to move the production of Hot Cod abroad during spring 2018.

### Production process

Hot Cod is made in four steps;

1. Sawing of fishblocks
2. Breeding and pre-frying
3. Packaging
4. Freezing

To begin with, Hot Cod was hand made, due to difficulties sawing the triangular shape. As soon as we got signs of acceptance of the product, we had our own bespoke machine developed and built for the purpose. The machine was made in Sweden at a cost of SEK 930 000. It does not handle all steps of the process, so additional machines will have to be developed to achieve a fully automated production process. Estimated cost for this is SEK 850 000.

### Margins

Today we pay SEK 54:50 / kg for a package Hot Cod to retail, which corresponds to SEK 26:16 / package. Hot Cod to food service is packed in 2.5 or 5 kg boxes and for these we pay SEK 48: 50 / kg.

When moving the production to a country with lower labour costs and using our new machine, the costs will decrease substantially, i.e. our margins will increase.

## b) Competitors within production

The industry of processed fish is mature. The category is characterized by a large number of multinational companies and competition is fierce. This can be dissuasive for anyone who wants to enter the market. However, we do not expect to see copies of Hot Cod for a long time. This is due to the fact that 1) Hot Cod can not be produced in existing standard machines and 2) investments in such machinery is unlikely before Hot Cod is a success. And once we get there, our brand will be established and we expect competitors to be interested in buying our company rather than starting a competing business.

### Producers

**Marenor** is a Norwegian company and recently bought our subcontractor Väst kustfilé AB with whom Vendula has a non-competition agreement. Marenor's brand portfolio consists of: Domstein, Lysekils, Isbjörnens, Gubbens, Arctic caviar, Oceans and Enghavs. The company dates back to 1867.

**Findus** is one of Sweden's leading food companies. They offer hundreds of products through both retail and wholesale and has a turnover of approximately SEK 2.5 billion. The company is 70 years old and is owned by British Nomad Foods.

**Lerøy** is another Norwegian company with a turnover of over SEK 13 billion. Their main business is salmon farming but they also offer a range of seafood products. The company was founded in 1899.

**Feldt's** was founded in 1991 and has a turnover of SEK 1 billion. The company is Swedish and one of the largest suppliers of fresh and frozen fish to wholesalers. Particularly public institutions such as schools, hospitals and retirement homes make up their end customers.



# 8. The company

## a) Our business idea

**Vendula AB is the company that developed the seafood answer to hot dog; Hot Cod.**

Hot Cod is an ingenious travesty of hot dog. The idea is to take advantage of the power of the widely known concept when marketing Hot Cod as a fun and more healthy alternative to the hot dog.



HOT COD CAN BE SERVED IN VARIOUS WAYS

Vendula markets and sells the product, creating value by building the Hot Cod brand. The company shall not invest in any production facilities, but have our produce made by subcontractors.

## b) Vision, mission and goals

Our vision is that everyone should be able to live a healthier life, even when choosing to eat fast food.

We offer a breaded piece of fish fillet that is triangular in cross section, making it fit perfectly in a hot dog bun and, due to the flat surface, keeping the sauce in place. It is rich in omega 3 and other nutrients. A meal that is tasty, easy to cook and healthier than for example a hot dog.

### Brand goal:

Hot Cod shall be as well known a concept as the hot dog. From Baltimore to Beijing, from Cape Town to Cape Cod.

### Business goal:

- Sales of more than SEK 250 million within 5 years.
- To sell the company, or the brand, in about 5 years.

## Brand DNA

# 1

### OUR MOST IMPORTANT INSIGHT:

More and more consumers opt out of meat and look for healthier alternatives. This also applies to fast food, such as the hot dog.

# 2

### OUR VISION:

Everyone should be able to live a healthier life, also when they choose to eat fast food

# 3

### WHAT WE OFFER:

A breaded, cut fish fillet with a triangular cross-section that fits perfectly in a hot dog bun and keeps the sauce in place. Rich in omega 3 and other nutrients. A quick, easy and tasty meal that is better than a hot dog.

# 4

### WE ARE:

- ✓ **The challenger of hot dog**
- ✓ **A little more fun**
- ✓ **A little healthier**
- ✓ **Children's favourite**



# 5

### PROOF POINTS:

Hot Cod is made of Alaska Pollock, belonging to the cod family, and is fished according to the MSC regulations. Comes with gluten free or organic breadings. Also; 250,000 children can't be wrong!

### c) Company information

Vendula AB was founded in January 2015 and is a registered Swedish company with organization number 559000-0195. Hot Cod is registered as a secondary name to Vendula AB. The company is based in Stockholm.

The company is registered as a food manufacturer and holds all necessary permits for this. The company is also MSC certified and approved for production of organic products. However, the company does not produce any food itself and all production is outsourced to a subcontractor.

Carl Schnell and a Marketing Manager, who works half-time, are the only persons currently employed by the company. Our full time sales consultant, who is in charge of sales towards food service since 2016, is also part of the team.

### d) Business model

Our business model is one of trading, i.e. we buy from a contract manufacturer and sell the products with a profit. Sales and marketing are the company's most important areas and under our direct control.

By purchasing most services from external sourcing, we will attain a flexible organization. This applies in particular to production, storage, distribution and accounting.

The company has not invested in a production facility, but has outsourced production to a subcontractor. However, it is in our strategic interest to invest in machinery that is unique for the production of Hot Cod. By doing so, we control the use of the machines and thus keep unwanted copies of Hot Cod from the market for as long as possible. So far, we have invested SEK 930,000 in a sawing machine.

### e) Ownership

Vendula AB has 15 shareholders and the following persons / organizations are significant owners:

Carl Schnell	50%
Liselor AB	15%
Martin Månsson	10%

### f) Management and Board



**Jan Weijber**, *Chairman of the Board*

Lifelong experience in food production. Former Chairman of the Board of Eriks Såser / Svenska Smakupplevelser AB. Shareholder in Vendula AB.



**Carl-Johan Schultz**, *Board member*

Head of Strategy at TBWA (communications agency). Vast experience from the FMCG area and specialist in behavioral science. Master of Science from Stockholm University. Shareholder in Vendula AB.



**Carl Schnell**, *Board member, CEO and founder*

The creator of Captain Schnell's Hot Cod. Former Deputy Managing Director and CFO at Eriks Såser / Svenska Smakupplevelser AB. MBA from Stockholm School of Economics and a background in banking and within information technology.

## Other important people in the organization:

### Per Andersson, Sales consultant

Accountable for all sales to schools and is thereby the person who has the ongoing dialogue with schools, municipalities and wholesales.

### Advisory board:

#### Casper Bue Björner, CEO and Chairman of the board for Walt Disney Company Nordic AB

15 years as CEO of Walt Disney in the Nordic region, Casper has invaluable knowledge in marketing and families as target audience. Shareholder in Vendula AB.

#### Jakob Lind, CEO and founder of Futurniture AB

Futurniture is the advertising agency that has created Vendula AB's graphic identity. Futurniture holds 6.5% in the company.

#### Marie Schnell Carlén

Marie Schnell Carlén, Former Group CEO and senior account director at McCann Worldgroup in Sweden (communications agency). Marketing specialist with many years experience from the food industry and marketing of FMCG.

## g) Capital requirements

So far, the company has raised SEK 3.1 million in capital. In order to take the company to the next level, we now seek SEK 5.3 million in financing to be used for investments in machinery, marketing and sales.

## h) Exit strategy

Our plan is to build the brand in the next five years, and establish the concept of Hot Cod on the international arena, before selling the company and / or the brand to an industrial player.



AMELIE LANGENSKIÖLD, BLOGGER WITH MANY FOLLOWERS, HELPS US TO SPREAD THE WORD ABOUT HOT COD.

## Sales and profit development

	2015	2016	2017	2018	2019
Sales	333	926	3,095	16,466	68,580
Gross profit	-34	-40	442	3,720	15,293
Gross margin	N/A	N/A	14%	23%	23%
Pre-tax	-619	-1,128	-1,284	-2,960	1,639

NUMBERS IN TSEK



## 8. New share issue

### a) Background

The media fund Aggregate (AMF) was approached during the fall last year and liked the Hot Cod concept. AMF strongly believes in our forward plan and has signed an agreement which stipulates an investment in Vendula AB, given certain conditions. According to their business model, AMF never invests cash, but contributes with advertising space in various Swedish media in exchange for shares in the company.

The requirement for AMF's investment is that Vendula AB has financial strength of its own to manage the operations for at least two years. Based on our budget, we have come to the conclusion that the company needs approximately 5 MSEK in new funding to do this. Given that we can raise these funds, AMF will invest media space corresponding to SEK 5 million, gross value.

Since our next step is to increase awareness of the brand among consumers and drive sales in retail, this is a highly welcome opportunity with perfect timing. Advertisements for Hot Cod on outdoor signs, in newspapers and online media would quickly make the Hot Cod concept known to a wider audience.

### About Aggregate Media Funds

AMF invests with advertising space as equity in companies that are in a phase of expansion and need to reach a broader market. Since the start in 2002, AMF has conducted over 200 transactions in a variety of industries (see [www.aggregatemedias.com](http://www.aggregatemedias.com)).

AMF's expertise is to develop a media plan tailored for each company so that the media mix becomes optimal. The available range of channels covers most of Sweden's major media houses. AMF also provides reporting, follow-up and analysis of completed campaigns. In other words; AMF is an active partner in the companies they invest in and also provide a wide business network.

### b) What will the money be used for?

The new share issue, together with the media space from AMF, will enable Vendula AB to scale up operations and take Hot Cod to the next level.

The capital injection will be used to:

- increase marketing of Hot Cod in Sweden
- intensify export efforts
- employ a sales manager
- hire a new sales company to expand in retail
- invest in additional machines

With the capital from the share issue and media space from Aggretgate Media Funds, we will invest SEK 7 million to increase awareness and drive sales in the stores.



FUTURE OUTDOOR SIGNS

### **c) Terms for the new share issue**

Just over a year ago, we made a successful share issue in Vendula AB and since then a lot has happened.

Sales in Sweden has increased significantly, Hot Cod has been listed at ICA, exports has started to accelerate, Hot Cod has gained international attention, we have developed two new products, we have built a machine and more... In view of this, the Board, with the authorization of the annual general meeting of April 6, 2017, has made the decision to go for a new share issue as follows:

- that the subscription price for one share shall be SEK 14.25
- payment must be made in cash
- that the new shares will entitle to dividends from the current fiscal year
- that the Board has the right to allocate the shares, in the event of oversubscription

At full subscription of the new share issue, the company will receive SEK 5,266,800, which will be used to secure operations for the next two years.

After that, AMF will enter the company in a directed equity issue. The company will then be supplied with advertising space in Swedish media for a gross value of SEK 5,000,000 against 175 540 shares. All shareholders will then be diluted. Given that this first issue is fully subscribed, AMF will own just under 12% of the company.

### **d) Board decision for a new share issue**

The purpose of the capital injection last year was primarily to;

- ✓ Finance the sawing machine.
- ✓ Increase marketing activities.
- ✓ Intensify our sales efforts and start export.

### **Results in brief**

The Board believes that the company has achieved the following;

- ✓ The specially made sawing machine was delivered during the summer and is since used for the production of Hot Cod.
- ✓ Listing centrally with ICA and Bergendahl's, which gave the company distribution to approximately 300 grocery stores.
- ✓ More than 150 taste sessions have been carried out in stores.

We have managed to get Hot Cod listed at Sweden's three largest wholesalers and the company has also established good relationships with more than 80 of the country's municipalities. Export has also begun to accelerate.

It is time to take the next step in the development of the company and use the opportunity offered by Aggregate Media. This requires capital and therefore the Board has decided to use the authorization bestowed upon it.

Stockholm, February 2018

The Board

