






## Business plan

This plan is confidential and you are not at liberty to use it for any other purpose than the one for which it has been provided to you.





Hunting club Diana Aug. 1927

Ludwig Schiwy

## Introduction

**Ludwig Schiwy** of Berlin was one of the best German gunsmiths of the interwar period. Ludwig Schiwy managed to turn sports weapons into pieces of art in every small detail. His weapons were hand custom made according to the wishes of the customer. Reichsmarschall Hermann Göring was enthusiastic hunter and several of his hunting guns were made by Ludwig Schiwy according to the specifications of the marshall. This connection was probably one of the reasons why the fine sports weapons producer Ludwig Schiwy was nearly forgotten by the public after the second war. Ludwig Schiwy also owned a patent improving the safety of the world known P08 German pistol in 1929.





## I. Who we are and what we want

We own “Ludwig Schiwy SW68” trademark, the history of which started in 1922 and since that time it has been a synonym for absolute top quality in hunting firearms round the world.

We are also proud owners of some original Schiwy rifles and the documentation with drawings for all Schiwy firearms. Our intention is to follow Ludwig Schiwys legacy and produce top handmade firearms for the customers that do not want mass production machine made rifles and prefer custom-made product to their specification. We are expecting to make our first strong worldwide presentation on the prestigious hunting firearms fair IWA in Nurnberg in the year 2021 and all specialized hunting magazines. At IWA 2021 we will show our handmade rifles production to the present firearms specialists, to the press and the public interested in this field. In the mean time we are ready producing unique hunting rifles but our working priorities are to build grounds for increasing our production after IWA 2021. Our affords are to build a stock of supreme quality basic parts for quicker assembly of our firearms after expected higher demand for our rifles after IWA

2021. For example we had made by special order to our specification 4 tons of steel for our rifle barrels. The value of our parts and stock is over 1.5 million Euro. We managed to put together highly specialised team of gunsmiths. In the moment we are employing six of them and we are planning to increase this number to twelve in the nearest future. Our company is situated in newly reconstructed chateau 50 km from Prague. In the chateau grounds are workshops and living accommodations for the employers. The chateau offers for our customers excellent accommodation and also great opportunity to choose them hunting rifles from our production. It is a great place to finalise all minor details to personal specification for all customers. The customer must be sure that he is buying exceptional product. This is going to be reflected in our sale strategy.







## II. Market potential

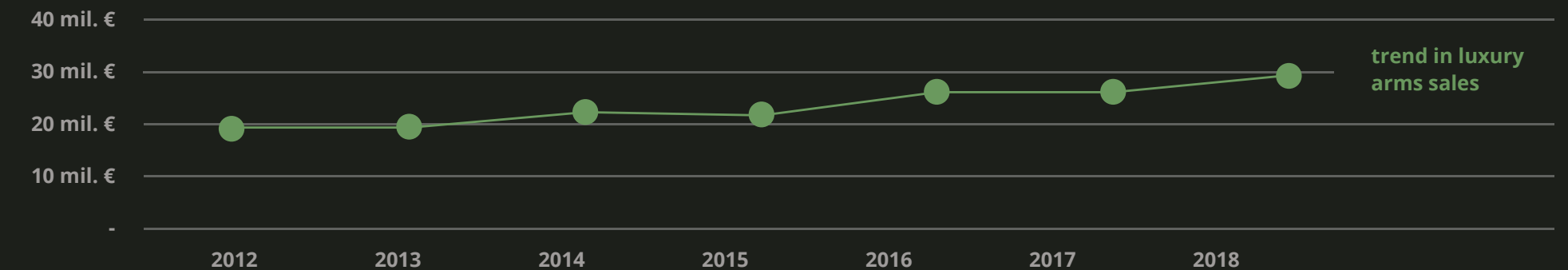
### 1. Global sports firearms market

Global gun market continually grows and according to specialised studies this growth should continue. The three studies that have been published during the last year estimate world sports and hunting guns market growth to be 3.9 % annually. The forecast deals with 2019 - 2024 period. All the studies and annual reports of leading sports weapons producers agree, that this market has stable growth tendency. In absolute numbers the volume of world trade in sports and hunting guns has been some 1.97 billion US dollars in 2018.

The study "Mordor Intelligence 2019-2024" identifies increasing participation in shooting sports as one of the main drivers of gun market growth. Largest volume of sales of sports firearms is in the US and Europe. However Asia-Pacific is expected to have the highest growth rate during the forecast period of 2018-2023, the share of China being the largest. According to the study of "Southwick Associates 2018" the growth of the financial sales volumes in the developed markets would not mean an increase of the number of weapons sold, it would mean increasing quality of purchased guns and their accessories. In 2018 in Britain it meant 20 % growth in price of each gun sold while the number of pieces sold actually dropped.

Sports guns industry profit margin was among the better ones in the manufacturing branch. Margins were especially high among high end products. According to the "US Federal Excise Tax Collection" the gross profit margin in firearms is 38.7 %, and in the production of their accessories it is 51.1 %. These numbers roughly correspond to the 2018 annual accounts of the largest US firearms manufacturer "American Outdoor Brands". In case of the largest European hunting arms manufacturer "Blaser Group" the gross profit margin is 41 %. Their net profit margin is 10.3 %.

Dynamics of sales of luxury firearms 2012 - 2018





## 2. High end firearms market

On the developed markets in Europe we see the tendency to buy lower number of items but in higher quality and for higher prices. And then in the top segment relatively few pieces are sold, but prices and margins there are very high. For example only three companies from this segment have sold hunting arms for 29.631 million euro in 2018. We estimate the annual sales of all the companies in this highest segment to be some 150 million euro. The graph below takes into account the results of only several main representatives of this segment because it is very difficult to get precise numbers for longer period from all those manufacturers. However it shows clearly the trend in this segment. Luxury products not only offer good profit margins but their advantage also consists in the fact that they are not economic cycle sensitive as different from the middle segment. The wealthy group of clients has enough resources to finance their hobbies even at the times of depression. That is the behaviour similar to the one of buyers of the most expensive Swiss watches. Our prestigious trademark and uncompromising quality will be the key to our success in this segment.

In the following table there are examples of prices of firearms of the traditional high priced trademarks. We give examples of combination break open rifles and one example of shotguns represented by Purdey. Prices of top hunting gun producers are always quoted as “starting from” and then extra charges are added for engraving, gold and ivory inlays, gun stock customisation etc. These extras increase the price of the rifle in average by 50% up to 100 %. Nearly nobody buys the basic product for the basic price given in catalogues as “starting from”.

### Examples of high end combination rifle

Trademark	combination rifles basic	combination fully equipped
Lebeau-Courally	120 750 €	170 750 €
Peter Hofer	200 000 €	500 000 €
Westley Richards	111 000 €	195 000 €
Boss	128 000 €	188 000 €
Fabri	154 000 €	167 000 €
John Rigby	132 000 €	240 000 €
Holland&Holland	110 000 €	220 000 €
Purdey	128 720 €	210 000 €



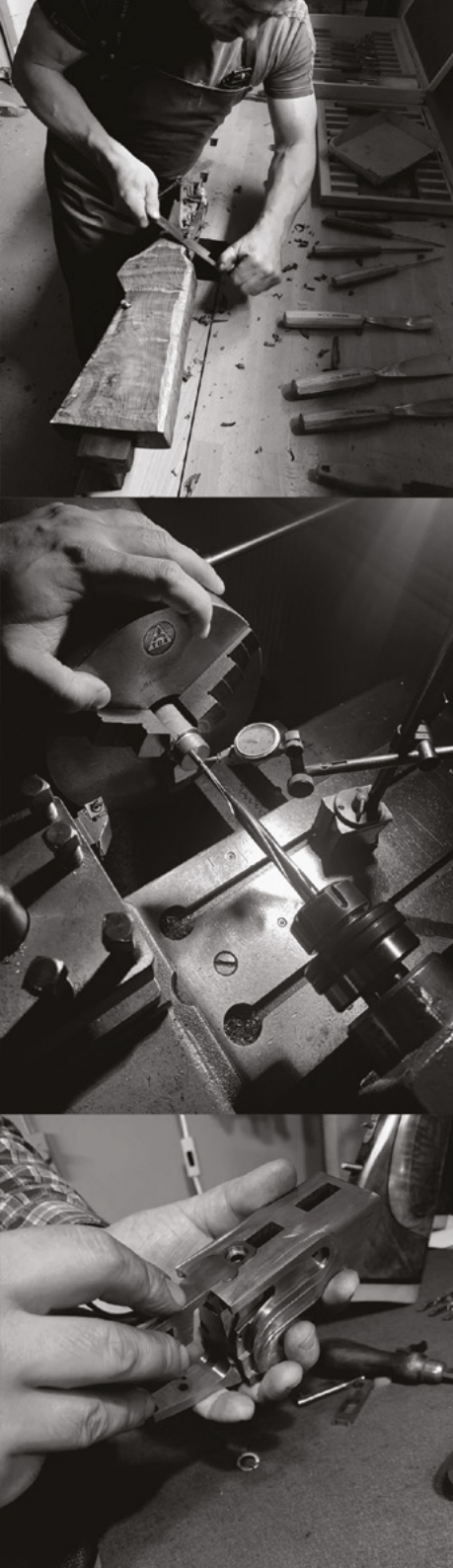


### III. Competition

There are few companies that we could describe as our direct competitors. Some smaller British companies are active in quality gunsmith craft like Holland&Holland Ltd. or Westley Richards. However they produce guns that differ from the central European hunting tradition. On the European continent we can mention Lebeau-Courally and also some rifles from Blaser Group. But absolute majority of Blaser rifles and shotguns are mass produced machine made products. In Italy we can talk about Armi Perazzi S.P.A., but nearly all of their weapons are also machine made. Moreover they only produce shotguns. Talking about Italy we may also mention gunsmith Fabri. There are several gunsmiths in Austrian Ferlach that are still engaged in hand crafted products, however their annual production volume is very small: Peter Hofer € 2 mil., Johan Fanzoj € 2,4 mil. , Scheiring € 2,5 mil or Ludwig Borovnik € 4 million.

Sales of selected luxury firearms producers

producer	2013	2014	2015	2016	2017	2018
Holland&Holland	9,315 mil. €	9,389 mil. €	8,936 mil. €	9,690 mil. €	10,361 mil. €	10,400 mil. €
James Purdey	5,634 mil. €	7,288 mil. €	6,214 mil. €	9,257 mil. €	8,019 mil. €	10,437 mil. €
Westley Richards	4,912 mil. €	5,569 mil. €	6,844 mil. €	7,103 mil. €	8,116 mil. €	8,794 mil. €
Total	19,861 mil. €	22,246 mil. €	21,994 mil. €	26,050 mil. €	26,496 mil. €	29,631 mil. €



### IV. Market Strategy

Our company concentrates on the segment of top quality hand crafted hunting rifles. Our market strategy shall correspond to the specifics of this segment. Because the Schiwy rifles have not been present on the market for some time (with the exception of secondary market) we plan to make a ceremonial kick off at the world´s largest specialised firearms fair IWA in Nürnberg. We shall introduce our guns to specialists and journalists specialised on high quality weapons.

The buyer must feel, that he is buying very special product and therefore the distribution channel shall reflect it. Company headquarters and product showroom is situated in our chateau near Prague. Serious buyers can stay overnight there and choose their weapon from our product range, they can ask for adjustments to fit their needs and preferences, buy accessories etc. We will be producing guns in limited series, each gun numbered, and the prices will be high. The owner of Schiwy rifle must feel that he has acquired something special and extraordinary.

Geographically we shall pay largest attention to the countries of European traditional hunting culture, mainly Germany, countries of former Austro-Hungaria and Switzerland. We are of course interested in the US market, we just have to keep in mind that the United States have a hunting tradition that differs from the Central Europe. We shall definitely make an effort to sell on the markets of China and Russian speaking countries. There is no hunting tradition in China, but this enormous market is very quick in accepting European consumer preferences and habits. One year you are not able to buy a cup of coffee in the whole of China, the next year you find a coffee shop on every corner there. And that goes for hunting as well. Chinese have discovered the charms of hunting and their hunting tourism is growing very quickly.

**Schiwy trademark is protected by patents** on all major potential markets including Europe, USA, China, Russia etc. Our vision is to become one of the three best producers of top hunting arms in the world within two years. We want to be the first choice supplier for classical hunting arms lovers in Europe, Russia, China and possibly oil rich countries of the Middle East within five years.



# V. Production Plan

Our product range, material cost, personal cost, total production cost and operating profit

rifles	pieces	material cost	person. cost	sales total	production cost	oper. profit
double rifle	12	380 000 €	240 000 €	2 400 000 €	620 000 €	1 780 000 €
single shot break	12	240 000 €	160 080 €	1 200 000 €	400 080 €	799 920 €
bolt action M98	24	240 000 €	199 920 €	1 200 000 €	439 920 €	760 080 €
bolt action R93	24	216 000 €	200 000 €	1 200 000 €	416 000 €	784 000 €
Total	72	1 076 000 €	800 000 €	6 000 000 €	1 876 000 €	4 124 000 €

In the above table you can see what models in which quantities we plan to produce. This is optimal product mix to satisfy our customers, to utilise to maximum our qualifications and achieve maximum profitability. The personal cost in this table is assigned to products as a unit cost. Production of combined rifles is most demanding in the sense of gunsmith´s experience and is most time consuming of all the product range. But at the same time combined rifles are our “flagship” products that put us on the top among hunting gun producers. The “cost” in the following table includes overheads and marketing expenses.

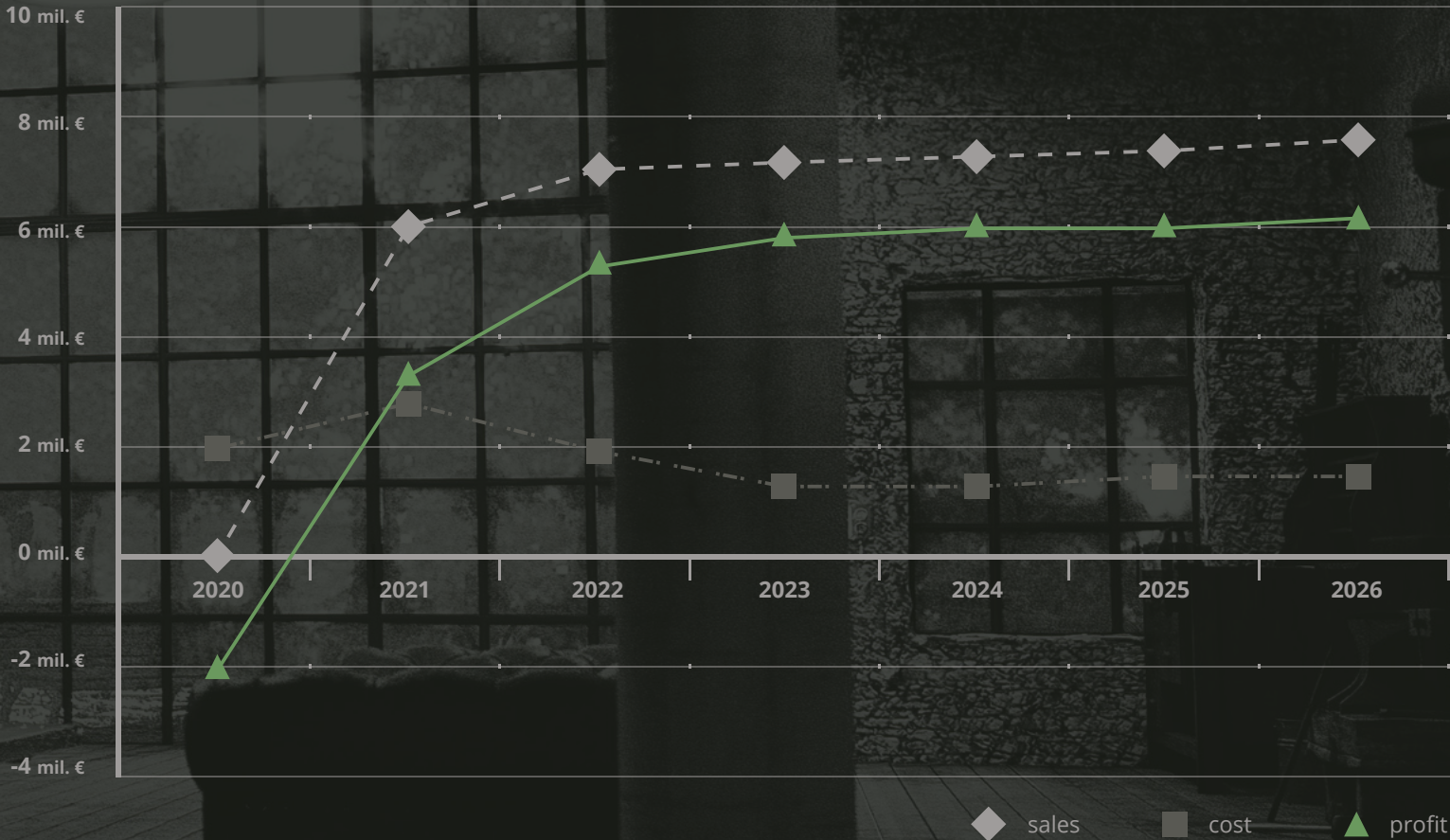
Forecast of our sales, total cost and profit

	2020	2021	2022	2023	2024	2025	2026
sales	0 mil. €	6 mil. €	7,3 mil. €	7,3 mil. €	7,4 mil. €	7,5 mil. €	7,6 mil. €
cost	2 mil. €	2,8 mil. €	1,8 mil. €	1,4 mil. €	1,4 mil. €	1,5 mil. €	1,5 mil. €
profit	-2 mil. €	3,2 mil. €	5,5 mil. €	5,9 mil. €	6 mil. €	6 mil. €	6,1 mil. €

\* Without engraving and accessories

During the next year we shall gradually increase the number of gunsmiths employed and increase production volumes. In 2021 there will be higher than average marketing expenses, they shall include among other presentation on the prestigious firearms fair IWA in Nürnberg, articles in specialised magazines etc. In our market segment the success is not measured by increases in the numbers of products sold. Too high numbers of guns sold could at certain point spoil the market for us. We sell unique products and it is important that the customers know that they have acquired extraordinary weapon in limited edition.

Our sales and cost forecast for the period 2020 - 2026





## VI. SWOT

**The strength** of our business plan consists in the ownership of prestigious trademark, full product documentation and highly qualified staff. Our specialists have acquired their work experience in other gun producing companies and we have selected them because they were the best. In addition to outstanding gunsmiths we have excellent engravers, wood production specialists etc. We were able to provide them good environment for their creative work and appreciation of their qualities. We profit from the gunsmith traditions of the Czech Republic and also from more favourable environment here than the gunsmiths have e.g. in Austria or Britain. There the administrative and legal framework is not conducive to top craftsmanship.

Our **weakness** at the moment is our limited financial resources that limit our development at the pace that we would consider as optimal. Therefore we are looking for a partner to join our company or for some other outside financial resources. Our company has already made all the crucial steps on the road to development. We own great trademark with history and it is patented in all the important world markets. We have all the documentation, drawings, we have already produced all the guns in our product range and fine tuned their production steps. We have all the necessary machines, we have at our disposal a chateau - not just for image and marketing purposes. We have here production premises, showroom and accommodation for our specialists and possibly customers. We are not asking potential partners to invest in an uncertain future. We just need additional financing so that we can realise our full potential more quickly than we could achieve it when using just own financial resources of the current owners.

**Risks** in our industry branch are often seen in increasing pressures to regulate the market of sports weapons. It is caused by publicised cases of shootings mainly in the US and some terrorist cases in Europe. Rules for purchase of short firearms are getting more restrictive, the same goes for semi-automatic weapons. Nobody talks about any need to regulate hunting rifles and it is highly unlikely that anybody would ever like to make life more difficult for hunters.







