



NATIONAL INVESTMENTS AUTHORITY  
UNDER THE PRESIDENT  
OF THE KYRGYZ REPUBLIC



Organization for Security and  
Co-operation in Europe  
Programme Office in Bishkek

# RENOVATION OF OFFICES AT THE MULTIFUNCTIONAL CENTER COURIER SERVICE CENTRAL ASIA POSTAL ALLIANCE



KYRGYZSTAN



### Name of the project:

Renovation of offices at the MFCs  
Launching a courier service  
Central Asia Postal Alliance

### Brief description of the Project:

- ✓ The project involves the implementation of the SE "Kyrgyz Post" projects, which includes the following steps:
- ✓ Renovation of post offices at the multifunctional centers (MFC) means transformation of post offices into modern multifunctional centers: postal services, Public Service Center, Postpay, social shops, pharmacies.
- ✓ Organization of a city-wide and inter-regional courier service - delivering goods or packages and cargo throughout Kyrgyzstan.
- ✓ Organization of the Central Asia Postal Alliance Logistics Park (CAPA LP) is a partnership between Central Asian postal administrations. The Logistics Park will involve fulfillment warehouses, a bonded warehouse, the CAPA Business Center (for park residents) and a DUTY FREE MALL for online and offline sales of goods at affordable prices.

### Description of the Project Initiator:

The Project Initiator is the State Enterprise "Kyrgyz Post", the designated operator ensuring the operation of posts and fulfilling related obligations assumed under the Acts of the Universal Postal Union throughout the entire Kyrgyz Republic.

### General Director of SE "Kyrgyz Post"

Marat Cherikchiyev

### Стоимость проекта - \$40 993 227

- ✓ More than 19 years of working in public service
- ✓ More than 11 years of managerial experience
- ✓ 8 years of legal experience
- ✓ More than 10 years of working in the SE "Kyrgyz Post"

### Project cost - \$40,993,227

- ✓ Renovation of post offices at the MFCs - \$6,157,060
- ✓ Launching a courier service - \$24,811,810
- ✓ Launching the CAPA - \$10,024,357

### Amount of investments - \$36,903,082

### Payback period

Renovation of post offices at the MFCs - 2 years  
Launching a courier service - 3.44 years  
Launching the CAPA - 2.66 years

# DESCRIPTION OF THE PROJECT

Renovation of post offices at the multifunctional centers (MFC) - the transformation of post offices into modern multifunctional centers for the public, designed exclusively for the comfort of Kyrgyz citizens with an entire ecosystem based on the ESG principle (a set of company management characteristics that achieve the involvement of this company in solving environmental, social and governance problems). Stage 1 provides for the renovation of 20 pilot offices.

## Each of the MFC offices will include:

- ✓ **Postal services:** receipt and dispatch of correspondence;
- ✓ **“PSC” (Public Service Center) public services:** certificates, documents, appeals to public authorities, etc;
- ✓ **“Postpay” financial services:** acceptance of all types of payments, money orders;
- ✓ **“Post Market” social shops:** at each branch, visitors of the MFC will be able to buy quality food, household chemicals and housewares from approved suppliers at wholesale prices. Additionally, there are plans to open a Postmarket marketplace to serve online orders;
- ✓ **“Post Pharm” pharmacies:** selling medicines and parapharmaceuticals to the public, which will increase public access to medicines. In total, the SE “Kyrgyz Post” infrastructure includes 921 post offices across the country;
- ✓ **“Postphone” mobile phones:** sale of mobile phones and other gadgets to the public at factory prices. In addition, in order to make products even more affordable for the public, the option of buying a gadget in instalments is available;

**Organization of a city-wide and inter-regional courier service** - delivering goods or packages and cargo throughout Kyrgyzstan. The following types of services will be provided:

- ✓ A city-wide express delivery;
- ✓ B2B delivery service;
- ✓ Inter-regional delivery.

## The implementation of this stage involves:

- ✓ Purchasing of electric cargo vehicles and building distribution centers;





✓ Setting up website marketing features (SEO, contextual advertising, SMM);

✓ Conducting a large-scale advertising campaign to attract customers.

**Organization of the Central Asia Postal Alliance Logistics Park (CAPA LP).** CAPA is a partnership between postal administrations of Central Asia in which resources, capabilities and core competencies are combined to achieve the best possible result by cooperation between posts that will produce better results than those they could possibly achieve by acting separately.

The Logistics Park will involve fulfilment warehouses, a bonded warehouse, the CAPA Business Center (for park residents) and a DUTY FREE MALL for online and offline sales of goods at affordable prices.

The project concept involves the creation of the CAPA Logistics Park with a total area of 33,000 square meters,

including 25,000 square meters of warehousing facilities, 3,000 square meters of the CAPA Park and DUTY FREE Mall, and 5,000 square meters of open storage space.

**The main objectives of the creation of the CAPA LP are:**

- ✓ Accessing global electronic commerce (e-commerce) markets through the creation of an alliance of postal administrations of Central Asia;
- ✓ Establishment of reciprocal preferential postal tariffs among the alliance member countries;
- ✓ Development of transport and logistics infrastructure and organization of a system to support cargo flows along an international corridor connecting Europe and Asia;
- ✓ Development of e-commerce;
- ✓ Increase of budget revenues due to the growth of cargo flow through the Kyrgyz Republic.

## Export

- e-commerce
- food
- cosmetics
- toys
- others

## RUSSIA

145 million



MOSCOW

2.25 \$ / 5 hours



1.5 \$ / 120 hours



0.25 \$ / 5 hours



## Import

- bulky shipments
- re-mailing
- agro-cargo
- equipment, etc

**TURKMENISTAN**

5.9 million



Ashgabat 0.25 \$ / 48 hours



**UZBEKISTAN**

33.58 million



Tashkent 0.10 \$ / 5 hours



**TAJIKISTAN**

9.3 million



Dushanbe 0.15 \$ / 5 hours



# CAPA LP

- Access to the largest markets, 3.2 billion people
- Bonded area 6.5%
- Multimodal transportation
- Free economic zone (FEZ)
- Generalized System of Preferences (GSI)+

**OZON**



**WILDBERRIES**



0.25 \$ / 5 hours



Kashgar



0.8 \$ / 5 hours



0.2 \$ / 5 hours



0.7 \$ / 48 hours

**CHINA**



1400 million

**AFGHANISTAN**

40 million



Kabul

0.25 \$ / 10 hours



2.25 \$ / 5 hours



1.5 \$ / 120 hours



0.25 \$ / 72 hours



2.5 \$ / 5 hours



1.5 \$ / 120 hours



0.25 \$ / 72 hours



Delhi

**INDIA**



1400 million

# SUSTAINABLE COMPETITIVE ADVANTAGES

- ✓ Existing infrastructure. The courier service can operate perfectly due to the 921 post offices available. In addition, all necessary cargo transport for the new MFCs at the existing post offices can be organized by the post's own vehicles.
- ✓ Strategically advantageous location on the world map. Kyrgyzstan is located in Central Asia and is perfectly situated for a postal hub that could act as a transit zone for cargo shipments. The fast-developing e-commerce sector may also use Kyrgyzstan for the transit of goods.
- ✓ Good location of post offices within the country. All post offices were established back in Soviet era in district centers, where the location of the mini-market and pharmacy is strategically important. In addition, the online marketplace will open up access to remote communities to order any type of goods. Launching the CAPA will allow the people of Kyrgyzstan to have access not only to domestic goods but also to order goods abroad.
- ✓ Electric transport. For rapid development of the courier service, there are plans to purchase exclusively electric transport: mopeds, cargo-and-passenger cars and light trucks. This will help significantly reduce costs, as fuel is one of the main cost items in a courier service.
- ✓ Development of e-commerce. Launching the CAPA will also make it possible to develop e-commerce in Kyrgyzstan, where domestic producers will be able to quickly sell their products abroad via an efficient delivery service. In addition, the opening of the CAPA could positively influence the arrival of large foreign marketplaces such as Alibaba, Aliexpress, Ozon and others.



# DESCRIPTION OF THE PROJECT INITIATOR

The Project Initiator is the State Enterprise “Kyrgyz Post”, the designated operator ensuring the operation of posts and fulfilling related obligations assumed under the Acts of the Universal Postal Union throughout the entire Kyrgyz Republic.

## **SE “Kyrgyz Post” has the largest branching network including:**

- ✓ 44 branches (inter-district, district and city);
- ✓ Bishkek Post Office, Osh Post Office and International Postal traffic and Logistics Center branches;
- ✓ 871 post offices (including: 179 city post offices and 694 village post offices).
- ✓ one traveling post office, which serves remote and hard-to-reach settlements in the Ton district.

## **The main services of the State Enterprise “Kyrgyz Post” are:**

- ✓ receiving, handling and delivering letter post, letter packets and small packets;
- ✓ receiving and delivering packages;
- ✓ receiving, handling and delivering express shipments within the Kyrgyz Republic;
- ✓ receiving, handling and delivering international express mail;
- ✓ receiving and paying of money orders.

SE “Kyrgyz Post” provides services throughout the Kyrgyz Republic, including all cities and villages. One of the largest postal workforces in the country, with almost 4,000 employees. Annually, postal workers in Kyrgyzstan receive and deliver more than 3,475,000 letters, 150,000 packages, as well as receive and pay 160,000 money orders.

Mail is delivered all over the country according to the established regulation: 5 times a week to regional and district centers and cities, 3 times a week to post offices. Round-trip routes extend to over 25,000 kilometers.

# MANAGEMENT TEAM



**Marat Cherikchiyev**  
General Director

- ✓ University degree. International University of Kyrgyzstan, Kyrgyz National University named after Jusup Balasagyn, Academy of Management under the President of the Kyrgyz Republic
- ✓ More than 19 years of working in public service
- ✓ More than 11 years of managerial experience
- ✓ 8 years of legal experience
- ✓ More than 10 years of working in the SE “Kyrgyz Post”



# HISTORIC FINANCIAL INDICATORS

Balance sheet, USD	By the end of 2021
<b>ASSETS</b>	
Short-term assets	4 039 667
Long-term assets	4 437 210
Fixed assets	2 658 285
Other intangible assets	1 713 778
Other financial assets	25 390
Other assets	39 757
<b>TOTAL ASSETS</b>	<b>8 476 877</b>
<b>TOTAL ASSETS</b>	
Short-term obligations	3 899 816
Long-term obligations	4 082 495
<b>CAPITAL</b>	<b>494 566</b>
<b>TOTAL OBLIGATIONS AND CAPITAL</b>	<b>8 476 877</b>

Historic financial indicators, USD	2017	2018	2019	2020	2021
Revenue	8 511 056	9 231 756	9 627 738	7 372 417	6 935 216
Other income	171 987	163 707	210 533	199 091	382 975
Net profit	92 499	274 539	328 488	34 022	-21 952

# PROJECTED FINANCIAL INDICATORS

## RENOVATION OF POST OFFICES AT THE MFCs

Load dynamics forecast, %	Year 1	Year 2	Year 3	Year 4	Year 5
Postmarket	55%	85%	90%	90%	100%
Postpharm	55%	85%	90%	90%	100%
Postphone	55%	85%	90%	90%	100%

Projected financial indicators, USD	Year 1	Year 2	Year 3	Year 4	Year 5
Revenue	9 236 333	14 274 333	136 074 000	136 074 000	16 793 333
Postmarket	8 213 333	12 693 333	134 400 000	134 400 000	14 933 333
Postpharm	792 000	1 224 000	1 296 000	1 296 000	1 440 000
Postphone	231 000	357 000	378 000	378 000	420 000
Gross profit	3 694 533	5 709 733	6 045 600	6 045 600	6 717 333
<b>EBITDA</b>	<b>3 124 568</b>	<b>4 949 780</b>	<b>5 285 647</b>	<b>5 285 647</b>	<b>5 957 380</b>

- ✓ IRR at the end of Year 5 is 38%
- ✓ Project payback period is 2 years, discounted payback period is 2.2 years

Nº	Investment expenditures	Amount, USD
1	Construction/renovation/refurbishment of 20 offices	3 200 000
2	Purchase of shop equipment for branches	266 667
3	Purchase of furniture and office equipment for administration premises for 20 offices	7 778
4	Signage for 20 offices	13 333
5	Marketing and advertising	9 444
6	Preparatory measures	5 556
7	Others	175 139
8	Working capital	2 479 143
<b>Total:</b>		<b>6 157 060</b>

# LAUNCHING A COURIER SERVICE

Load dynamics forecast, %	Year 1	Year 2	Year 3	Year 4	Year 5
A city-wide express delivery, within 20 minutes	52,5%	67,5%	67,5%	82,5%	100,0%
B2B delivery	60,0%	75,0%	90,0%	90,0%	100,0%
Inter-regional delivery	60,0%	70,0%	90,0%	90,0%	100,0%

Projected financial indicators, USD	Year 1	Year 2	Year 3	Year 4	Year 5
Revenue	13 870 080	17 602 560	18 938 880	21 427 200	25 190 400
A city-wide express delivery, within 20 minutes	8 709 120	11 197 440	11 197 440	13 685 760	16 588 800
B2B delivery	4 608 000	5 760 000	6 912 000	6 912 000	7 680 000
Inter-regional delivery	552 960	645 120	829 440	829 440	921 600

<b>Gross profit</b>	<b>5 548 032</b>	<b>7 041 024</b>	<b>7 575 552</b>	<b>8 570 880</b>	<b>10 076 160</b>
<b>EBITDA</b>	<b>5 113 107</b>	<b>6 461 124</b>	<b>6 995 652</b>	<b>7 990 980</b>	<b>9 496 260</b>

- ✓ IRR at the end of Year 5 is 8%
- ✓ Project payback period is 3.44 years, discounted payback period is 6.06 years

Nº	Investment expenditures	Amount, USD
1	Investment in software maintenance	3 200 000
2	Renovation of control centers and offices	266 667
3	Purchase of transport	7 778
4	Distribution centers and equipment	13 333
5	Purchase of consumable materials	9 444
6	Marketing and advertising	5 556
7	Preparatory measures	175 139
	Others	
8	Working capital	2 479 143
<b>Total:</b>		<b>6 157 060</b>

# LAUNCHING THE CAPA

Load dynamics forecast, %	Year 1	Year 2	Year 3	Year 4	Year 5
Fulfilment	32,5%	85%	90%	90%	100%
Bonded warehouse	32,5%	85%	90%	90%	100%
CAPA Park with DUTY FREE Mall	32,5%	85%	90%	90%	100%

Projected financial indicators, USD	Year 1	Year 2	Year 3	Year 4	Year 5
Revenue	2 132 000	5 576 000	5 904 000	5 904 000	6 560 000
Fulfilment	1 625 000	4 250 000	4 500 000	4 500 000	5 000 000
Bonded warehouse	390 000	1 020 000	1 080 000	1 080 000	1 200 000
CAPA Park with DUTY FREE Mall	117 000	306 000	324 000	324 000	360 000
<b>Gross profit</b>	<b>1 812 200</b>	<b>4 739 600</b>	<b>5 018 400</b>	<b>5 018 400</b>	<b>61 131 556</b>
<b>EBITDA</b>	<b>1 475 527</b>	<b>4 066 253</b>	<b>4 345 053</b>	<b>4 345 053</b>	<b>4 902 653</b>

✓ IRR at the end of Year 5 is 16%

✓ Project payback period is 2.66 years, discounted payback period is 4.7 years

Nº	Investment expenditures	Amount, USD
1	Purchase of a land plot	98 333
2	Construction of a logistics center	8 088 889
3	Purchase of machinery and equipment	166 667
4	Organization of an open area for storage and parking	55 556
5	Construction of a business center	991 667
6	Marketing and advertising	11 111
7	Preparatory measures	11 111
8	Others	471 167
9	Working capital	129 857
<b>Total:</b>		<b>10 024 357</b>

## SOURCES OF FINANCING AND APPLICATION OF FUNDS

Sources of financing	Amount, USD
Project Initiator	4 090 144
Renovation of post offices at the MFCs	1 847 118
Courier service	1 002 436
CAPA	1 240 590
Financial investor	36 903 082
Renovation of post offices at the MFCs	4 309 942
Courier service	23 809 374
CAPA	8 783 766
<b>Total:</b>	<b>40 993 227</b>

Target use	Amount, USD
Renovation of post offices at the MFCs	6 157 060
Courier service	24 811 810
CAPA	10 024 357
<b>Total:</b>	<b>40 993 227</b>

# A BRIEF OVERVIEW OF THE GLOBAL E-COMMERCE AND POSTAL MARKET

E-commerce has revolutionized modern economic activity. E-commerce has made it more convenient for consumers to buy the products they need at their own discretion and regardless of their location. It has also provided new opportunities for posts, motivating them to develop their services and business models to adapt to new opportunities.

The postal network, with more than 670,000 post offices worldwide, is well placed to support government policies aimed at making e-commerce accessible.

Posts promote the integration of micro, small and medium enterprises (MSME) by contributing to the sale of their goods online and the transfer of goods across borders. Post also make it easier for consumers to shop online, helping them buy products not always available from local vendors.

Since January 1993, the Kyrgyz Republic has been a full member of the Universal Postal Union (UPU), a UN-designated special organization.

Due to diversification strategies (expansion strategies), posts support e-commerce and create a unique competitive advantage. The UPU Report “The digital economy and digital postal activities - a global panorama” also shows that postal organizations are creating a potential market for e-commerce through diversification. Posts also remain competitive in the growing e-commerce market, protecting and strengthening their core business. The table below shows a significant proportion of posts sharing this view - more than half of the respondents:



Rationale	Percentage of posts
<b>Effective use of competences</b>	✓ 83% of designated operators rated posts as reliable service providers in 2017 (72% in 2015)
	✓ 69% of posts provide for interaction between e-services and the rest of their online activities
<b>Diversification</b>	✓ 69% of posts want digital services to help generate new revenues from postal e-services to offset most of or all (potential) reductions in postal revenues
<b>Protecting and strengthening core business</b>	✓ 82% of posts try to claim as big a market share as possible
	✓ 64% of posts respond to threats posed by competitors
	✓ 70% of posts want to enter the market before competitors

## The main barriers preventing posts from entering the e-commerce market

Large competitors pose a serious threat to postal operators, as do ever-changing digital technologies. The latest study by the UPU has identified five main obstacles to the adoption of postal digital services to support e-commerce.

More than half of posts all over the world face the following challenges:

- ✓ resource constraints, which hinder the full implementation of postal e-services;
- ✓ the time it takes to transition to a digital culture;
- ✓ the limitations of the IT infrastructure;
- ✓ insufficient in-house expertise to develop e-services.

Posts can continue to play a vital role in many areas of the e-commerce market: they can provide delivery, logistics and payment solutions, as well as enter into partnerships to provide enhanced e-commerce solutions to meet the requirements of their individual markets.



# OFFER FOR INVESTOR

<b>LEGAL MECHANISM</b>	✓ Joint-stock company
<b>TYPE OF FINANCING</b>	✓ Share buyback
<b>AMOUNT</b>	✓ USD 36,903,082
<b>FINANCING TERM</b>	✓ 7-10 years
<b>NUMBER OF TRANCHES</b>	✓ Tranche No. 1 - renovation of post offices ✓ Tranche No. 2 - launching a courier service ✓ Tranche No. 3 - launching the CAPA
<b>FINANCIAL SUPPORT</b>	✓ Company shares



