MOROCCO: LAVERDE’S GATEWAY TO AFRICA

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Greetings

Initially, I would like to thank the person who made this work possible and easier: my father, who knows in detail the reality of the country, since he has been working in Morocco for about 15 years. Thank you for your support and for the opportunity I had to meet with local people, who helped me to understand factors that were fundamental to conclude this thesis. For this reason, I also want to thank them, specifically to Said, the local accountant, and to Hicham and Hamid, the project managers of Bewell, for all the availability they had and for all the information they provided me. Thank you for everything Selma and Anax, especially for collecting the survey responses.

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Abstract

Throughout its activity, Laverde has continuously worked to be seen in the national and international market as a prestigious company, focusing mainly on the quality of its products.

In order to maintain its reputation, the company invests regularly in research and development and has also invested in new infrastructures. The new factory will guarantee superior levels of quality, the development of new product lines and the increase of Laverde's production capacity. For this reason, it will be necessary to dispose of merchandise and the company considers that it would be fundamental to adopt an internationalization strategy for a new continent, even though Laverde currently has a mainly export-oriented market.

Morocco is a gateway to Africa and seems a good investment option, since it is a constantly growing country, in which the cosmetics sector is significantly appreciated. In addition, most of the raw materials used in Laverde products are from Morocco. However, nowadays nearly all of them are acquired through intermediate countries and the decision to enter in the Moroccan market can facilitate these trade links.

A business plan will be elaborated, in order to analyse the investment decision and to formulate a strategy to enable the company to achieve sustainable growth and to consolidate its market position from a global perspective. For this reason, the strengths and competitive advantages will be identified and the opportunities and risks associated with the internationalization decision will be taken into account.

JEL Classifications: F21 (International investment); G31 (Capital budgeting); G32 (Financial risk and risk management); M16 (International business administration).

Keywords: Business plan, Internationalization, Laverde, Morocco.

Sumário

Durante toda a sua atividade, a Laverde trabalhou continuamente para ser vista no mercado nacional e internacional como uma empresa conceituada, apostando principalmente na qualidade dos seus produtos.

Com o intuito de manter a sua reputação, a empresa investe regularmente em investigação e desenvolvimento e, além disso investiu em novas infraestruturas. A nova fábrica vai permitir que a empresa garanta níveis de qualidade superiores, que desenvolva novas linhas de produtos e que aumente a sua capacidade produtiva. Por este motivo, surge a necessidade de escoar mercadoria e, apesar de atualmente a Laverde ter um mercado principalmente direcionado para a exportação, considera que seria fundamental adotar uma estratégia de internacionalização para um novo continente.

Marrocos surge como uma porta de entrada em África e apresenta-se como uma boa opção de investimento, visto que se trata de um país em constante crescimento, no qual o sector da cosmética é significativamente valorizado. Além disso, grande parte das matérias-primas utilizadas nos produtos da Laverde têm origem em Marrocos. No entanto, atualmente são praticamente todas adquiridas através de países intermediários e a decisão de entrar no mercado Marroquino, pode facilitar estas ligações comerciais.

Para analisar a decisão de investimento, será elaborado um plano de negócios de modo a formular uma estratégia que permita à empresa um crescimento sustentável e a consolidação da sua posição no mercado numa perspetiva global. Deste modo, serão analisados os pontos fortes e vantagens competitivas e identificadas as oportunidades e os riscos associados à internacionalização.

Classificações JEL: F21 (Investimento internacional); G31 (Projetos de investimento); G32 (Risco financeiro e gestão de risco); M16 (Administração de negócios internacionais).

Palavras-chave: Plano de negócio, Internacionalização, Laverde, Marrocos.

List of abbreviations

ADB: African Development Bank

ADEREE: Agency for Development of Energy Renewable and Energy Efficiency

ADII: Administration des Douanes et Impôts Indirects

ADIL: *Assistant au Dédouannement des marchandises à I'Importation nen Ligne*

AEO: Authorised Economic Operators

AFESD: Arab Fund for Economic and Social Development

AMDI*: Agence Marocaine de Développement des Investissements*

AMDIE: *Agence Marocaine de Développement des Investissements et des Exportations*

AMF: Arab Monetary Fund

AMU: Arab Maghreb Union

AU: African Union

BADEA: Banque Arabe pour le Développement Economique en Afrique

BdP: Banco de Portugal

BKAM: Bank Al-Maghrib

CAGR: Compound Annual Growth Rate

CAPEX: Capital Expenditure

CEO: Chief Executive Officer

CF: Cash Flow

CGEM: *Confédération Générale des Enterprises du Maroc*

CIL: Comunidade Islâmica de Lisboa

CM: *Cotisation Minimale*

CNSS: *Caisse Nationale de Sécurité Sociale*

COSMOS: COSMetic Organic Standard

CRI: *Centre Régional d'Invetissement*

CSF: Critical Success Factor

DUM: *Déclaration Unique de Marchandises*

EBIT: Earnings Before Interest and Taxes

EBRD: European Bank for Reconstruction and Development

EIA: Environmental Impact Assessment

EPZ: Export Processing Zone

ERP: Enterprise Resource Planning

EU: European Union

FDI: Foreign Direct Investment

FTZ: Free Trade Zone

GATT: General Agreement on Tariffs and Trade

GDP: Gross Domestic Product

GM: Gross Margin

GSTP: Global System of Trade Preferences

HS: Harmonized System

IAPMEI: Instituto de Apoio às Pequenas e Médias Empresas e à Inovação

ICE: *Identifiant Commun de l'Entreprise*

IDB: Islamic Development Bank

IES: Informação Empresarial Simplificada

IHP: Instituto Halal de Portugal

IMF: International Monetary Fund

INE: Instituto Nacional de Estatística

INV: International New Venture

IRR: Internal Rate of Return

IS: Impôt sur les Sociétés

JDP: Justice and Development Party

LAS: League of Arab States

LC: Limited Company

LCA: Life Cycle Assessment

LLC: Limited Liability Company

MADB: Market Access Database

MASEN: Moroccan Agency for Solar Energy

MENA: Middle East and North Africa region

NOPAT: Net Operating Profit After Tax

NPV: Net Present Value

OFEC: *Office des Foires et Expositions Commerciales*

OM: Operating Margin

OMPIC: *Office Marocain de la Propriété Industrielle et Commerciale*

OPEX: Operating Expenses

P&L: Profit and Loss

PAFTA: Pan-Arab Free Trade Association

PESTEL: Political, Economic, Social, Technological, Environmental and Legal

SMART: Specific, Measurable, Achievable, Relevant, Time bound

SME: Small and Medium-sized Enterprise

SWOT: Strengths, Weaknesses, Opportunities and Threats

TVA: *Taxe sur la Valeur Ajoutée*

USA: United States of America

VAT: Value Added Tax

WACC: Weighted Average Cost Of Capital

WC: Working Capital

WCV: Working Capital Variation

WTO: World Trade Organization

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Introduction

Laverde is a familiar company dedicated to the manufacture, packaging and supply of all types of natural and organic cosmetic and personal care products, which has had an impressive journey throughout its 20 years of activity. In fact, its history began with the return of its founders to Portugal, after an international experience as emigrants in Germany and workers in a local cosmetics company. In the genesis of the company was always present a vast network of international contacts, both in terms of suppliers of raw materials and customers. In fact, exports have a significant weight on the operating income of the company, accounting for about 50% of its net sales.

In order to grow, Laverde has recently invested in new manufacturing facilities, equipped with sophisticated machines and advanced technology and it is expected that with this investment the company's production capacity will double. For this reason, the company felt the need to develop a strategy to dispose of its excess production and it opted for a market extension strategy, focusing on exports and covering new market segments. Morocco appears to a be a good investment opportunity for Laverde, due to its strategic location, which will allow the entry in Africa and consequently it will facilitate Laverde's direct contact with local raw material suppliers, which the company currently buys through third countries.

However, the main question is: investing in the Moroccan market would be a viable solution for Laverde?

To answer this question, it will be provided a description of the company, its results over the years and its presence abroad. Subsequently, the internationalization decision will be analysed through existing models and strategies and the risks and advantages associated with the company's entry into the Moroccan cosmetic market. Afterward, we will describe why investing in Morocco would be a desirable choice for the company, through an analysis of the surrounding environment and an internal analysis of the company. Finally, it will be concluded with an analysis of the investment associated with the internationalization project, the expected revenues and a sensitivity analysis, in order to evaluate the viability of the project.

1. Laverde

In order to elaborate this report, it is fundamental to understand how the company is operating in Portugal and its presence around the world. In a financial and economic perspective, *Laverde – Produtos Naturais e Cosmética Lda.* has been growing considerably over the years. Currently, the export market assumes an important role in the direct destination of its orders (≈50%) and it is preponderant in the final destination of the products that the company manufactures (≈75%). Actually, the company made a great investment in new infrastructures, which will allow significant increases in its production. For this reason, the company will have a greater necessity to ship merchandise.

1.1. The history

The founders of the company, João and Miraldina Carocha, were emigrants in Germany for a few decades and they have always worked in cosmetics and personal care areas. Their main goal was always to return to Portugal and, for this reason, they decided to inaugurate a company in the field in which they have always been working, putting into practice their experience and know-how. Laverde's story began in 1993, when its founders decided to return to their origins and they resolved to create a family business, which was initially managed by Miraldina's parents.

Besides the specific knowledge of the partners of the company in the area of the production of cosmetic products, oils, essences and plants, João Carocha, during his years as an emigrant in Germany, was selected to inspect different types of raw materials in the area, mainly natural plantations in the fields where these plants were cultivated. He was basically responsible for auditing the entire procedure and the development of raw materials, as well as for the selection of the best products available in the domestic market. For this reason, he has developed key competencies in the analysis and selection of quality and excellence raw materials.

Laverde began its production activity in 1999 and it is mainly engaged in manufacturing, packaging and supplying all kinds of cosmetics and personal care products. The company does not sell its products directly in the market, but through intermediaries, that is Laverde produces for other companies and does not have its own brand to be sold in the market. In 2004, the company already dominated the manufacture of high quality products nationwide and in Portugal the strongest business sector is the professional hair cosmetics. Thence, Laverde decided to begin its export activity. As previously mentioned, the export market has a significant percentage of the company's sales, with Germany, Denmark, France and Switzerland as the largest recipients of its products. In the same year, the company became the only one in Portugal that produces natural and organic cosmetics, being certified by a European entity (Ecocert). For this reason, in order to respect the international rules and standards of Ecocert (COSMOS Natural, COSMOS Organic) and Natrue, Laverde certified all its natural and biological products, to ensure that the totality of its production comes from controlled and organic agriculture.

Taking into account, that Laverde is a family business, Nicole Carocha, daughter of the owners, decided to help her family at the factory. In 2006, she finished her degree in Pharmaceutical Sciences, at NOVA University of Lisbon and later she decided to do a specialization for twelve months in the quality area of the pharmaceutical industry. In 2007, Nicole decided to permanently embrace the job at her family's factory and use her technical knowledge, to strengthen the company's chemical and production development departments, creating products with scientifically proven quality.

Throughout its activity, Laverde has established a relationship of trust and loyalty with its customers, not only for the high quality of its products, but mainly for the effectiveness and efficiency of its response. Therefore, it became a requirement to increase the production capacity of the entire factory and in 2009 were acquired new sophisticated equipment.

Laverde currently has 28 employees, which are subdivided into 5 departments: administration/management, administrative/financial, research, provision and operational/productive. Actually, in recent years the company has achieved a growth in the number of employees and in its manufacturing activity, having consecutively been awarded the PME Excellence status since 2011. Subsequently, new infrastructures were built in order to guarantee a superior quality, better working conditions and a higher security level. It is expected that these infrastructures will be fully operational by 2019 and double the productivity capacity of the company. Furthermore, in 2019 Laverde acquired 75.5% of the shares of ADN Pharma, but continues to produce to the brand, which is responsible for selling the products directly to the final consumer.

1.2. The results over the years

In order to analyse the economic and financial situation of a company it is fundamental to study the results obtained in relative and evolutionary terms. This evaluation and interpretation focuses on key issues for the survival and development of the company, such as its value, risk and profitability. For this reason, with the intention of draw conclusions regarding the organizational performance of the company, were analysed the results obtained in the last four years.

In fact, Laverde generated revenues of €4,318 million in 2016, which represents an increase of 15.48% compared to the previous year and €5,317 million in 2017 or an increase of 23.12% compared to 2016. Concerning 2018, the company's revenue was €4.587 million, a decrease of 13.73% over the previous year. Moreover, approximately 48% of the company's sales correspond to the international market, since Laverde continually invests on widening the export market.

The net income reaches €914 thousand, €1,071 million and €1,646 million in 2015, 2016 and 2017, respectively. In 2018, the amount recorded was €697 thousand, the decrease in the total net income is mainly due to expenses and reversals of depreciation and amortization that amounted to €740 thousand, due to the acquisition of new machines installed in the recent factory. In addition, there was an imputed loss of subsidiaries, associates and joint ventures of €38 thousand in 2018, in contrast to the previous year, which recorded a gain of €22 thousand. Additionally, Laverde's overall sales between 1 January 2019 and 8 May 2019 amounted to € 893,547.

Laverde is considered a family business, since there is a high rate of employee retention. In fact, between 2015 and 2018 the number of full-time employees remained relatively constant.

1.3. The awards and certificates

Since 2011, Laverde has been distinguished by IAPMEI for the quality of its performance and its risk profile as Leader SME. This award was launched in 2008 under the FINCRESCE Program, with the aim to distinguish companies with high performance profiles, giving them notability and creating optimal financial conditions, in order to facilitate the development of their growth strategies and the consolidation of their competitive approach.

In addition, over the years Laverde has also been awarded as Excellence SME, which is also attributed by IAPMEI in partnership with 10 banks operating in Portugal, as well as mutual guarantee societies. These companies are selected from the Leader SME universe and are differentiated by a fair recognition of their merit and their contribution for the results of the country's economy. Actually, the Excellence SME award is a reputation assignment that enables distinguished companies to relate with their surroundings (customers, suppliers, financial system or national authorities), on a basis of trust, facilitating the development of their business. Regarding exporting companies and companies with an international ambition, such as Laverde, this recognition is particularly relevant, since it represents a differentiating factor and a guarantee of companies' soundness.

1.4. The products and services

As described above in the presentation of the company, Laverde is dedicated to the research and development of new products, manufacture, packaging, labelling and supply of all types of organic and natural cosmetics and personal hygiene products.

According to Infarmed, the National Authority for Medicinal Products and Health Products, a cosmetic is by definition any substance or mixture intended to be brought into contact with various superficial parts of the human body, mainly for the purpose of cleaning, scenting, modifying their appearance, protecting, maintaining good condition or correcting body odour. Cosmetic products are regulated by Regulation (EC) No. 1223/2009 of 30 November, by Decree-Law No. 189/2008 of 24 September, as adjusted by Decree-Law No. 115/2009, of 18 May, Decree Law No. 113/2010, of 21 October, Decree Law No. 63/2012, of March 15 and Decree Law No. 245/2012, of 9 November.

In addition to the above legislation, some associations such as Cosmetics Europe – The Personal Care Association (COLIPA), have been responsible for the publication of important guidelines for the evaluation of the efficacy of cosmetic products, product information file requirement, safety assessment of a cosmetic product, products roles responsibilities along the supply chain, cosmetic product labelling and procedures on the management of undesirable event reports.

Currently, the company does not have its own brand, it produces for other brands and it does not sell its products to the final consumer. In other words, the company activity is business to business, since it is a form of transaction between companies, involving a manufacturer and a wholesaler. Its range of services starts with standard production, however they also offer the complete development of cosmetic products.

Laverde offers a wide range of products to ensure customer satisfaction and to meet the real demands and needs of the markets. At national level the company produces its products for brands, such as Real Natura, Castelbel, NívelFarma, Anabela Alferes C. Ferreira and Sabão de Alverca, among others.

The cosmetics and personal care industry is a science-driven and a highly innovative sector and that's why Laverde makes large investments in Research and Development. The company produces numerous natural and biological products, such as toothpastes, shampoos, creams, soaps, bath salts, body lotions, perfumes, hair care and professional cosmetics for hairdressers. However, in Portugal, the strongest business sector is professional hair cosmetics. To get a clear picture of the subdivion of cosmetics products, please refer to "Appendix 1: Different types of cosmetics".

The terms natural, vegan and biological are often taken as synonyms, however they are associated with products with different characteristics. Natural cosmetics are those that have in their constitution natural components, in fact for a product to be considered natural, it must have at least 95% of natural raw materials in its composition. In turn, organic cosmetics were born out of the need to differentiate from natural cosmetics, as the term biological requires products that include in their composition at least 95% of raw materials from nature, which are not genetically modified or treated with chemicals in the production process, in fact these products are always guaranteed to be pesticide-free. The Regulation (EC) 834/2007 of 28 June 2008 regulates organic production, labelling of organic products and establishes that the terms BIO and ECO should only be used in products originated in organic farming or animal production. Thus, these products are usually certified by very strict control agencies, so that the products reach the market complying with all standards and the consumer knows exactly what are used in the cosmetic. Unlike organic products, natural products are not tested or certified.

Finally, when we talk about vegan products, we are talking about a product that does not use any part with animal origin or any derivative. However, this product may be neither natural nor organic.

Laverde aims to ensure that the cosmetics produced meet all requirements set forth by the National and International Health Authorities. Actually, as already mentioned the company is the only national producer of natural and organic cosmetics that is certified by Ecocert, which is an organic certification organization, founded in France in 1991. It is based in Europe, but conducts inspections in over 80 countries, becoming one of the largest organic certification organizations in the world.

Laverde has its products certified by COSMOS Natural and COSMOS Organic, which is a European private standard developed by five founding members: BDIH (Germany), Cosmebio (France), Ecocert Greenlife SAS (France), ICEA (Italy) and Soil Association (Great Britain). The organizations met at AISBL, which is an international association based in Brussels, in order to define common minimum requirements, harmonize certification rules for organic and natural cosmetics and to pressure institutions to defend the industry. COSMOS adopts the principles of the Ecocert reference, which mainly advocates the use of organic farming ingredients, production and procedures that respect the environment and human health and develop the concept of "green chemistry". Therefore, the COSMOS-standard sets out innovative, challenging and progressive criteria for organic and natural cosmetics, that consumers can trust, and that are clear for the industry and respectable for the environment. Since Laverde operates domestically and internationally, the certification of COSMOS-standard is important as it provides a cost-effective route to market acceptance, providing both local identity and international recognition.

Additionally, Laverde products are also certified by Natrue, which is a Brussels-based international association, committed to promote and protect natural and organic cosmetics worldwide and to certificate products that meet the defined criteria of high standards of quality and integrity. The Natrue Standard is developed by the Natrue Scientific Committee Criteria and Label and it defends that all products must comply foremost with the basic requirements of Cosmetics Regulation, particularly with regard to their composition, safety, efficacy and labelling requirements. Furthermore, the organic certified substances and derived natural substances, must come from controlled organic farming or wild collection and it must be certified by a recognized certification organization.

1.5. The infrastructures

Since Laverde's foundation in 1993, its infrastructures have remained the same and the company has always developed its activity in Branca, Coruche.

However, after more than 20 years of experience, the company decided to invest in increasing its productivity and improving technology associated with the production process. For this reason, Laverde has recently invested in a new manufacturing facility, that is expected to be fully operational before the end of this year and the company will transfer all departments and activities for the new factory. It is located in the industrial area of Coruche, in Monte Barca and is intended for the manufacture of perfumes, cosmetics and hygiene.

The area reserved for construction is 7,200m^2 and the implementation area of the two buildings is around 3,000m^2. In the construction of the buildings were taken into account all the conditions attached to the title of installation and exploration issued by the Regional Directorate of the Economy of Lisbon and Vale do Tejo.

The buildings intended for production respect all the rules expressed in Decree Law No. 109/91 of March, 15, that establishes the disciplinary rules of the exercise of industrial activity, with the intention of prevent the risks and inconveniences resulting from the industrial work, in order to safeguard the public and workers' health, the safety of people and goods, the hygiene and the safety of workplaces and the quality of the environment. Furthermore, were taken into account all parameters verified in inspections carried out by the Responsible Industry System and all the requirements of the General Regulations of Occupational Safety and Hygiene in Industry, Commerce, Offices and Services. In addition, all requirements laid down by the institutions issuing the quality certificates and the bio and natural product certificates have been met, both in terms of machines distribution and sequential production order. Besides that, Laverde maintains its environmentalist vision, so the roof of its warehouses and factories is lined with solar panels to minimize electricity consumption.

The facilities will be equipped with new production machines and equipment capable of ensuring higher quality standards, better working conditions and higher safety levels. In fact, the company's productive capacity is expected to be doubled in a short-term perspective.

1.6. The sector characterization

1.6.1. National

Currently we take an extensive view of the concept of cosmetics, which in addition to make-up, skin care and hair care products, it also includes perfumes, toiletries and salon services hairdresser and beauty salons. Although, cosmetics have historically been associated with cult of beauty and appearance, the emergence of a wide range of pharmaceutical products to prevent and treat skin problems has substantially changed their definition. As a result of this process, the boundary between health and cosmetic is now difficult to establish, and cosmetics go hand in hand with health, as the fields of action of each of them are increasingly overlapping especially in all skin care.

Actually, in Portugal the cosmetic products market is no longer restricted to the female public and the beauty market trend is positive, with growth in various segments, especially in the skin care area. Regarding cosmetic products there is no seasonality, except for sunscreens that gain expansion in the summer months, with peak sales between May and September.

While on the one hand the economic crisis that Portugal faced in 2008 represented an obstacle in some business sectors, on the other hand it made possible the emergence of new brands and channels, making the sector even more dynamic and attractive. In fact, cosmetics industry faces the least impact from the economic ups & downs. Although the cosmetics market is very competitive and despite the difficult of entering new brands and ideas when not supported by huge marketing budgets, it is a sector where there are niches that are real opportunities for differentiating products.

In 2017, there were 105 companies intended for manufacturing perfumes, cosmetics and hygiene products, representing an increase of about 8% compared to the last analysis of the industry elaborated. In fact, the largest concentration of companies is in the metropolitan area of Lisbon and Porto. Companies operating in the market for over 20 years have the highest sales and services volume, which corresponds to about 40% of the total sales and service value in the domestic industry. The assets corresponded to €112,629 thousands, sales and services to €74,823 thousands and there were 814 persons employed in the industry. Actually, the working capital associated with cosmetic industry is positive by €35,908. The domestic market concerns €51 thousand and exports correspond to €23.9 thousand. In addition, the export sales and services is 31.9% and imports purchases correspond to 26.3% (BoP, 2017).[1]

The Portuguese consumer is increasingly demanding, but at the same time is more pragmatic and the price/quality ratio has a higher weight in consumption. The reputation of brand loses importance in the new generations, in other words loyalty is decreasing and new generations are more influential, especially by the trends and innovations of short

[1] This information is contained in a database managed by Bank of Portugal – the Central Balance Sheet – which has been benefiting since 2006 from the accounting data contained in IES.

duration. For this reason, companies are more concerned with personalization and customization, using data and customer input in order to create products for a universe of one and it is the new form of luxury.

Nowadays, there is a growing interest in products that facilitate our lifestyle, such as travel formats or products for SOS situations. In addition, we live in a period when basic hygiene products, such as shampoos, deodorants or soaps, are no longer attractive and Portuguese shoppers are increasingly looking for specialized beauty products such as face creams, make-up or perfumes. The increased demand for them has made buyers look beyond the mass market, in the specialized channel, such as mono-brand stores, pharmacies, para-pharmacies and perfumeries. Younger generations are increasingly characterized as digital consumers and the digital economy is developing rapidly and is the single most important driver of European innovation, competitiveness and growth (European Commission, 2015).

There is a marked growth in E-commerce, that is the purchase of cosmetics is often made directly on the internet, either through own brand websites, through social networks or brand resellers. Although E-commerce only accounts for a relatively small proportion of overall cosmetics sales, the quantity, value and overall proportion of cosmetics products sold online in Europe is expected to grow substantially over the coming years. The cosmetics industry is at vanguard of simulating new online retail formats and the digital economy will increasingly impact the way the industry communicates with people and how it distributes its products.

Another major trend of this market is what can be called "natural beauty", which grew a lot in 2017 and whose trend continued in 2018 and 2019. The natural, vegan and organic market is one of the most dynamic at the moment. However, it still has a little expression in Portugal and it represents a niche, but in countries such as France or Germany, it already represents over 1/3 of the total market. In fact, the Portuguese market is always following the trend of more mature markets, like French, Italian or English.

The constant changes that occur from the beauty industry to natural and organic products will have a unique impact on cosmetics, giving a greater importance to product origin and ingredients properties and quality. As consumer awareness about the negative effects of micro plastics grows, also increases the need for brands to readjust and find alternative products for packaging. In fact, consumers are attracted to brands that act responsible and attempting to reduce carbon footprint by combating waste are an area where cosmetic brands must innovate and, for this reason alternative materials, such as bamboo, rice brand and coconut shell have been a growing trend in packaging. In addition to attracting consumers looking for environmentally friendly products, these different packages have the added benefit of standing out on shelves where plastic and glass are the norm.

Currently in Portugal, there are already several companies that are destined to the manufacture and commercialization of cosmetic products of biological and natural origin, such as Aroma da Terra – Cosméticos Naturais, Lda., Kefigel – Produtos Naturais, Lda, Rita C – Produtos Biológicos e Naturais, Organii – Cosmética Biológica, Lda, Essência do Mundo – Comércio e Representação de Produtos Naturais, Lda., Cornucopia and Biovip – Cosméticos Naturais, Lda, among other companies. In fact, many of these companies present themselves either directly or indirectly as Laverde's competitors on national territory.

1.6.2. International

The global cosmetics market continued to grow steadily, spurred on by the limitless diversity of consumer aspirations and by innovation. The growth of the worldwide cosmetics market was approximately 5.5% in 2018 and the estimated sales were more than €200 billion (Cosmetics Europe, 2018). The main factors that contribute to the success of the cosmetics market were the continuous increase in online beauty spending, consumer interest in new, different and premium products, the expansion of social networks, the growth of the upper middle classes and the increase in the number of senior citizens worldwide. The skincare market accelerated sharply in 2018, especially in Asia, where consumers are both knowledgeable and enthusiastic about this category. This sector represents nearly 40% of the industry and it corresponds approximately to 60% of worldwide cosmetics market growth. (L'oreal Annual Report, 2018).

Europe remains the world's largest cosmetics and personal care market, valued €78.6 billion at retail sales price in 2018 (see graph bellow), a slight increase from €77.6 billion registered in the previous year, indicates the European Federation of Cosmetic Industries. Germany (€13.8 billion), France (€11.4 billion), United Kingdom (€10.9 billion), Italy (€10.1 billion) and Spain (€7 billion) are the leading countries on the continent. In fact, SMEs are key drivers of innovation and economic growth in European cosmetics industry and currently there are more than 5,800 manufacturing. (Cosmetics Europe, 2018).

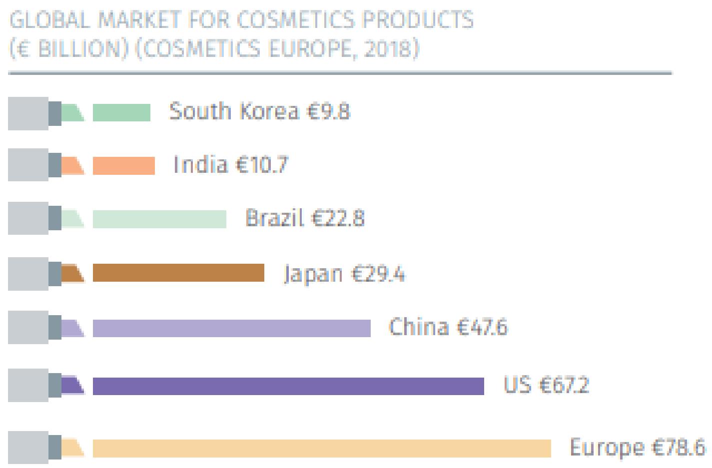

Figure 1- Global Market in € Billion
(Source: Cosmetics Europe, 2018)

As globally, in European cosmetics market skin care ranks first with a value of €20.39 billion in 2018 and it is followed by toiletries, which totalize €19.92 billion and hair care products that weighed €14.92 billion. Fragrances and perfumes reached €12.28 billion and finally decorative cosmetics closes the list with €11.07 billion. According to Cosmetics Europe, the value of European exports reached €21.5 billion in 2018, with France and Germany accounting for half of these value. Regarding the labour market, the European cosmetics industry generates, directly and indirectly over 2 million jobs, 197,000 people are employed directly and a further 1.63 million indirectly in the cosmetics value chain.

In global market terms the trends are quite similar to those described for Portugal. The growing concerns on the long term effects due to usage of cosmetics, is forcing the companies to bring natural and organic products and this market is expected to increase in the next years. In fact, companies in the cosmetics industry recognise that all consumer products create environmental impacts throughout their lifecycles and they identify the need to design products and processes that minimize their environmental footprint. Currently, the cosmetics and personal care industry is using the Environmental LCA, in order to identify and measure environmental impacts, prioritise alterations to products, processes and packaging and to develop cosmetics with an improved environmental profile. For this reason, worldwide measures have been applied along the value chain of the cosmetics industry to improve the sector's sustainability.

Initially, cosmetic products manufacturing is increasingly oriented towards efficient technologies which help to reduce energy and water consumption, waste and emissions.

Some examples of measures that are already being implemented are rainwater harvesting, solar or wind power. Taking into account distribution, companies are shifting transportation from road to rail and from air to sea, introducing hybrid or electric vehicles and are using larger container trucks or introducing new compact products, in order to help the industry to reduce the emissions associated with the transportation of cosmetics. Finally, at the post-consumer phase the packaging is increasingly designed based on a life cycle thinking and the use of biodegradable, recyclable and reusable packaging continues to increase.

1.7. The presence abroad

Laverde has a significant worldwide presence, either through the direct sale of its products or indirect transactions. In fact, the company can be described as a born-global firm or sometimes called international new venture, which is a company that from or near foundation, obtain a significant portion of total revenue from sales in international markets (Knight & Cabusgil, 2005). The company starts its export activity in Germany in 2004 and currently, nearly 48% of its sales are related to exports, which is Laverde's core business and it shows the importance the group gives to the other locations. Currently, Laverde is present either directly or indirectly, in several European countries and is also present in the American continent.

Actually, the main market of the company is Europe as it represents the biggest part of its revenue, but currently the CEO are giving importance to new markets, such as Africa, to expand, mainly because most of the raw materials used in Laverde products come from African countries, principally Morocco. However, nowadays the company buys most of the raw materials from third countries, such as France, Germany, Switzerland, Finland, Spain and England.

Furthermore, the main reason for expanding the business to a different country and a new continent is not only to be able to run off production and to meet the productive capacity of the new factory, but also to create contact networks that facilitate the purchase of raw materials directly to the producing country, with the intention of reducing the associated costs.

2. The decision to internationalize

In fact, the liberalization of world trade and the globalization have contributed to the decision of companies to internationalize, improving their competences and enhancing the competitiveness of the business in a long term perspective. Furthermore, the national market, sometimes becomes insufficient to meet company's productive capacity and it represents an obstacle in terms of growth potential. For these reasons, with the aim to survive and prosper, there is a rising need for companies to choose to start activities across borders, to expand their business internationally and to compete globally.

2.1. Internationalization models

There are numerous theories that can explain the internationalization of companies.

In the traditional marketing approach, the Penrosian tradition (Penrose, 1959; Prahalad and Hamel, 1990) focus on the firm's core competences and on the opportunities in the foreign environment. The cost-based view suggested that the firm must possess a compensating advantage, in order to overcome the cost of foreignness (Kindleberger, 1969; Hymer, 1976). For this reason, technological and marketing skills were identified as the crucial elements in an effective and efficient foreign entry.

The Market Imperfection Theory considers that multinationals see internationalization as an opportunity to exploit the advantages they have in the domestic market, considering that arriving at the destination country in the foreign market the company will suffer some limitations and will have additional costs (Hymer, 1960). According to Lemair (1997) these advantages are: technological advancement of the company, favourable image and effective international marketing, ability to benefit from large economies of scale and privileged access to certain factors of production.

Regarding Product Life Cycle Theory, which justifies the increasing entry in foreign markets with the stages a product faces during his life cycle: firstly, the punctual exportations, increasing the commitment abroad in countries where cultural distance and risk are inferior and finally, implementing production facilities in less developed countries, in order to gain advantage of the labour cost reduction when the processes are already standardized. In fact, firms go through an exporting phase before switching first to market-seeking and then to cost-oriented. As demand expands, a certain degree of standardization usually takes place and economies of scale, through mass production, become more important. Consequently, the concern about production cost replaces concern about product adaptations. (Vernon, 1966).

The Uppsala Internationalization Model (Johanson & Wiedersheim-Paul, 1975) is a dynamic model, with aspects of state and aspects of change that explains the internationalization of a company as a gradual process, in which the company acquires knowledge and increases its resources commitment. The establishment chain corresponds to the different set of stages that a company goes by in its expansion process, such as non-regular exports activities, installation of a production subsidiary, installation of a sales subsidiary and exports via independent representatives (Johanson & Vahlne, 1977). The main consequence of this model is that firms tend to intensify their commitment towards foreign markets as their experience grows.

Concerning Internalization Theory (Buckley & Casson, 1976), the entry into foreign markets is elaborated with the main goal of internalizing operations, in order to reduce transaction costs and to maximize profit. In its turn, the internalization perspective is closely related to The Transaction Cost Approach (Williamson, 1979) where the costs associated to different operations are analysed to understand if, on one hand, these operations should be executed internally, within its own boundaries (subsidiary) or, on the other hand, through some form of collaboration with an external partner (externalization). The internalization through this model is explained with the desire to reduce the transaction costs associated with certain activities and to decide on the most efficient governance model.

Contrarily to the Behavioural Theories, the Ecletic Theory (Dunning, 1981) is a static model, which assumes that companies have access to a complete and perfect information about the market. Thereby, the possession of certain advantages will be decisive in the process of internationalization of a company. This benefits are grouped in firm specific advantages, such as the location advantages, which result from the market imperfections (uncertainty and risk, role of Government, capacity of seizing economies of scale and externalities, production costs, abundance of natural resources, human resources with quality and reduced costs, access to raw materials, business and cultural environment, absence of business and political barriers, institutional framework), the existence of tangible and intangible resources, that make the companies superior to its competitors, independently from its location and, finally, the internalization advantages, which corresponds to the capacity of internalizing its activity instead of selling the rights, so that other foreign companies are able to discover those advantages.

Taking into account the degree of company internationalization and the respective market, the Network Model (Johanson & Mattson, 1987), categorize companies into different groups: "The early starter", "The later starter", "The lonely international" and "The international among the others".

Having the Uppsala Internalization Model in mind, Johanson & Vahlne (1990) claimed that the company cannot be analysed as an independent factor. In fact, the authors suggest that market commitment, market knowledge, commitment decisions and current activities, should be seen in a multilateral way, since the company is part of a network, where it establishes relationships. The model goes from intra-organizational to inter organizational, while exploring the capacities and complementary competencies, the networks provide a joint realization of mutual benefits. Consequently, a specific company is dependent from resources controlled by other entities and the access to those resources is obtained by a particular position in the network.

Porter (1990) presented the Porter's Diamond Model theory that consider the competitive advantages to explain the company internationalization. In fact, the constant innovation enables a company to highlight itself from its competitors and providing competitive advantage. In his theory, Porter presented a set of attributes named the diamond of national advantage: factor conditions, demand conditions, related and support industries and firm's strategy. Besides that, he also explains the role developed by the government and from chance, as factors that have the capacity of influencing the four determinants.

In the Resource Based-View, Barney (1991) explains the sustainable competitive advantage of a company from the resources it possesses and the internationalization strategy of a company includes the analysis of the distinctive company's resources itself. In fact, the theory defend that the company's superiority is achieved through the combination of resources that faster internationalization.

Rugman & Verbeke (1993) adapt the model proposed by Porter, explaining the capacity of a company to gain competitive advantage and also claim that the diamond cannot be only analysed at a national level, it must present a local, regional, national, foreign and global analysis. In this point of view, the authors distinguish endogenous and exogenous variables, being the first ones the original attributes and the latter the factors introduced.

Sorensen (1997) has proposed a classification of the internationalization models in four groups: internationalization models (progressive models), contingency models, business network (interactive models) and social construction.

2.2. Internationalization of SMEs

In the face of globalization threats many SMEs attempt to expand their sales into foreign markets and internationalization today is a strategy of all firms irrespective of size, since companies are no longer interested to stay at its home country. According Forsman, Hunti and Kock (2002), "these firms are also affected by the globalization of the markets, forcing the firms to act and think more globally". Actually, international expansion provides new and potentially more profitable markets, helps to increase the firm's competitiveness and facilitates the access to new product ideas, manufacturing innovations and to the latest technology.

The category of micro, small and medium-sized enterprises consists of enterprises which employ fewer than 250 persons, have either an annual turnover not exceeding €50 million or an annual balance sheet total not exceeding €43 million (European Commission, 2016). Indeed, SMEs are no longer seen simply as miniatures of large firms, but as particular enterprises with their own characteristics (Julien, 1997).

With the development of globalization, many small firms are growing as a result of scale advantages, that they derive from the expansion. The internationalization process at the level of SMEs is extremely relevant, given the importance that these companies have been assuming in the development and growth of national economies. Besides that, internationalization is vital for SMEs to prosper in an increasingly competitive world and could contribute to sustaining employment (European Commission, 2009). In fact, there is a strong correlation between SMEs being internationally active and having better than average business performance scores. Although, part of this may be due to "self-selection", considering that SMEs with better performance are more likely to be active internationally and it is probable that there is a positive and direct effect on the performance of enterprises that become internationally active.

The internationalization process is a long and demanding process and it takes both resources and management models in order to succeed. For many SME, especially those operating in high-technology and manufacturing sectors, it is no longer possible to act in the marketplace without taking into account the risks and opportunities presented by foreign and global competition (Ruzzier, 2006). Actually, the adversities faced by this companies in the internationalization process are innumerable, as they have limited resources and contacts and lack management experience (European Commission – Management capacity building, 2006). Many SMEs started to expand their business internationally and stopped after a few period of time, mainly because they have not committed more resources to their operations. Furthermore, possible reasons for this could be a lack of resources and knowledge or lack distinctive management models of how to run the business on an international level. The export activities are often occasional and there is a lack view of the relationship between internationalization, co-operation and growth.

However, despite the numerous difficulties SMEs face in the internationalization process, there is still a growing number of these companies that start to expand their activities abroad. The reasons diverge from company to company and can be classified as proactive on the one hand, such as profitability, technological advantage, unique products, crucial information, management commitment, management benefits and economies of scale. The proactive motives represent stimuli to attempt strategy change, based on firm's interest in exploiting unique competences or market possibilities. On the other hand, the reasons can be classified as reactive, that is competitive pressure, excessive production capacity, declining domestic sales and proximity to customers and ports. The reactive reasons indicate that the firm reacts to pressures or threats in its home market or in foreign markets and adjusts passively to them by changing its activities over time.

As mentioned before, it is crucial to have in mind that the internationalization process involves numerous risks and barriers to entry, the need to make major investment and requires adjustments both in terms of organization and production. For this reason, it is important to analyse whether the SMEs is able to internationalize, which will depend on the analysis of the company and on its potential as an exporter. In case the company decides to internationalize, it is essential to plan the entire process, define objectives, adopt a strategy and identify possible risks and barriers. In addition, throughout the process it is important to carry out an assessment identifying how the process is developing and to make the necessary corrections.

The challenge faced by most entrepreneurial firms is to establish and develop a viable, competitive and sustainable business, usually with limited resources, and often by adopting flexible, innovative and imaginative business practices. The assumption made here therefore is that internationalization, for entrepreneurial firms, is a growth and development process and it may involve one or a number of value chain activities, some of which may be more internationalized, or more frequently subject to internationalization, than others. Internationalization may be part of the process, but for very small and very young firms, it is more likely to occur, in the first instance, through links and transactions with organizations and individuals in the external environment. The process may include both inward and outward and these are likely to reflect the firms' current areas of competence and expertise, and its current level of needs and perceived inadequacies. Initial international expansion may involve specific combinations of inward/outward value chain activities, which are not necessarily directly reciprocal.

For the internationalization process to be a positive experience, the SME should identify the critical success factors, develop production capacity and bet on innovation, analyse in which segments should act and identify the potential competitors, in order to have competitive advantage. In addition, SMEs should take advantage of relevant information to the company and its activity, in order to better understand markets and identify business opportunities. Efficiency and synergy in linkage combinations is an important concern for internationalizing firms. It is imperative to ensure that they have adequate human, technical and financial resources for the internationalization process, have a management capacity that is adequate to the complexity of the process and, finally, must be aware of the reality of markets to adapt the company to that reality.

2.3. Internationalization strategies

International business strategy refers to plans that guide commercial transactions taking place between entities in different countries, both individuals and companies. Actually, that strategy is the matching process between the resources of the organization and opportunities in the business environment at an acceptable level of risk (Andrews, 1971). The strategic-choice perspective respects the conceptions of strategies as a set of fundamental choices about the ends and means of a business (Child, 1972). These choices are critical to firm success (Rumelt, Schendel & Teece, 1994) and are not randomly selected among the different possibilities, but are the result of prudently evaluation of the resource requirements and environmental conditions for each possible decision. A firm's resource endowment is an important boundary for the strategic decision and its resources ultimately regulate the strategic flexibility of firms or, determine otherwise, the number of strategies that are possible (Filatotcheb & Piesse, 2009).

Similarly to the theoretical internationalization models, the modes of entry and the strategy of internationalization adopted by a firm also present different determinants that influence company decisions, such as the amount of capital that the company has available to invest, both the initial amount at the opening and the resources commitment. In fact, the smaller the amount of capital the company is able to invest, the greater the probability of establishing a mode of entry with partnerships. Furthermore, the country risk and the volatility of its environment must be taken into account in the adoption of the internationalization strategy, which must consider the sharing of risk and costs, in order to achieve a better flexibility to respond to the eventual changes in the chosen country. In fact, the inseparability of production and consumption, characteristic of services, promotes cultural differences awareness, implying that the company adapts the business to local tendencies, which may lead to higher costs and risks. For this reason, inseparable services may force companies to share the responsibility of the business. Finally, the size of the company can also influence its mode of entry, since the greater its size, the easier it will be for the company to succeed internationally, covering the costs and risks globally independently.

It is essential to evaluate the potential benefits, costs and risks of different types of internationalization strategies, with the aim of determining the methodology that best fits the characteristics of the company's products and activities. Moreover, the choice of the most appropriate form of internationalization depends on the conditions of the destination country and the strategic choice of the SME. In fact, there are several approaches for a company to internationalize.

Export is the most traditional and common form of internationalization, especially in the case of SMEs and it is commonly used as a corporate growth strategy (Lu & Beamish, 2002). It is characterized by using domestic production in order to sell in foreign markets, for this reason the search for new approaches to boost Portuguese exports requires the company to know the end consumer of its products and services. This strategy is divided into direct and indirect exports, according to whether the company uses or not an intermediary distributor in the domestic country. On the one hand, direct export usually requires a higher investment and therefore it has a higher risk associated. However, the expected return is higher and the company has more control over its commercial policy, due to the direct link that establishes with the foreign companies. On the other hand, indirect exports are the form of internationalization preferred by SMEs that are taking the first steps in export, since it involves less risk and investment than the direct approach. In this case, the process is done through agents or distributors – individuals or companies intermediaries – who have the necessary know-how.

Export processing zones, also called development economic zones or special economic zones, are potentially useful tools for export promotion. In fact, EPZ is a type of free trade zone, set up generally in developing countries by their governments to promote industrial and commercial exports. EPZ represents a strategy for economic development, since it is a selected area in a country that are designed to attract foreign investment for export-oriented production, to create jobs, introduce technology, expand the industrial base and create backward linkages between the zone in question and the domestic economy. In addition to providing the benefits of a FTZ, these zones offer other incentives and may have some resources that can attract investment, such as cheap skilled labour, natural resources or logistical advantages. Besides that, nations can also encourage investment in these areas by offering expedited licensing or building permits, duty-free tax incentives, exemptions from certain taxes and business regulations, minimal customs regulations or developing infrastructure to investor's requirements.

In its turn, licensing is when a company establishes a contract with one or more local partners in the target country, transferring the right to use certain corporate assets, such as patent, trademarks, brand's name or technology. This methodology of entry occurs when a company has the technological know-how, however does not wish to use resources to enter into a certain foreign market. Thence, it is a safety technique for a company to enter a market, since it only requires the granting of the right to the foreign country.

Regarding franchising, it presents similarities with licensing, but is distinguished by the fact that it has a network structure that demands a greater relationship between the parties. This tactic of entry is a rapid growth form of business, which is associated with a lower risk and allows the entrepreneur to work on his own. The franchiser provides a package of standardized products, systems and management services and the franchisee provides its knowledge of the local market, capital and management staff (Ghauri & Cateora, 2010).

Another internationalization strategy that a company can adopt is to do a FDI, which consists in an investment that can be taken alone by the company that decides to internationalize the business or through partnerships with other companies, sharing the costs and risks. In the first case, the company has the total responsibility over the operations, that mean that it can decide between a greenfield, in which it establishes operations from scratch or acquire a subsidiary overseas that is a separate legal entity from the parent, although owned by the parent corporation and already with established activities. In fact, setting up a subsidiary in a foreign country can have many positive effects, such as expanding brand recognition, have opening access to new markets and using efficient production methods to control costs. The decision of entering in a new location can mean increased revenue and business expansion that would not be possible in the home country. If, on the other case, the company does not wish to detain the total responsibility over the business, it can establish partnerships through joint-ventures or international strategic alliances.

In fact, a branch office represents another way through which a foreign company can establish its presence on a given market. It is seen as a dependent structure to its parent company, thus any decisions and liabilities of the branch fall under the responsibility of the parent company. For any company contemplating expanding into a new market, the advantages and disadvantages of setting up a branch will depend on the business opportunities, as well as the cultural and regulatory climate of the specific country. When a company decides to open a branch office in a foreign country, there are numerous aspects and challenges associated with overseas expansion that should be considered and while some business issues are universal, for instance the legislation that regulates the activities of this type of company, other elements are more country-specific and require research into potential solutions to prevent unexpected delays or costs. It is necessary to register the legal entity with the authorities of the chosen jurisdiction, it is required to have a registered office, to hire employees following the employment law in the respective state and it could also be required to obtain special permits and licenses.

Actually, both branch and subsidiary company are owned by the parent company, but are different in many ways. On one hand, branches are set up with the sole aim of increasing the business coverage and facilitating easy distribution of goods, has to report to its Head Office for its operations and has no separate legal standing and on the other hand, owning a subsidiary mainly accounts to expanding the business entity, by purchasing a company operating in similar or different business, the subsidiary company comes under the holding company, which holds its majority stake, but is a separate legal entity and has an identity different from its holding company. Although, both branches and subsidiaries located in the foreign country, follow the rules and regulations of the respective country.

Joint-venture is an agreement between two or more organizations from different countries, which establishes alliances for a common business purpose for a specified time. Companies agree to unite their resources, such as market knowledge, know-how, investment and risk, for the development of a joint business and share the results, whether profit or loss. This approach of internationalization is characterized by having a single and common goal to develop a specific project that benefits all parties, having a set time and loyalty between the parties. The joint-venture can be contractual, establishing an agreement between the parties, or it can be corporate, where the co-ventures form a new legal entity.

International strategic alliances refer to agreements between companies competing or producing complementary products or services, that seek to combine resources, efforts and competences and it is characterized by reciprocity or the combination of know-how in the development of an activity, creation of synergies or as a strategic option.

2.4. Advantages

In today's global economy, companies of all sizes are establishing operations in foreign markets and this type of expansion can provide several advantages. Actually, going international could provide your business the access to a world of opportunities. SMEs that start with a global strategy can move quickly to take advantage of cross-border activities, which provides opportunities not only for revenue growth, but also the exchange of knowledge and the enhancement of capabilities, thereby strengthening the long-term competitiveness of the firm (European Commission, 2009). Although, establishing whether you should expand your business to another location internationally can be a difficult and complicated decision and international expansion is basically based on the opportunities of exploiting abroad the competitive advantages that firms have in domestic markets (Fernández & Neto, 2005).

If the company's decision is to go beyond borders, it can take advantage of numerous factors, such as the possibility of exploring niches, following up international clients, enhancing specificity, seize economies of scale, organizing profitability, better use of company's knowledge and to have the access to cheap finance and government helps to buy under performing companies. Further, the company can reach new customers, spreading business risk, have the access to talented, invaluable new employees and business partners who would take the enterprise to the next level and the company can also have a great opportunity to extend the reach of its intellectual property, trademarks and copyrights to new regions.

In fact, there is a direct link between internationalization and increased business performance, since international activities reinforce growth, enhance competitiveness and support the long-term cultural relations between bilateral trading states. For instance, international activity helps maintaining good political relations. Another one of the top advantages of international trade is that the company may be able to increase the number of potential clients. In fact, each country the company add to its list can open up a new pathway to business growth and consequently increased revenues.

Moreover, another significant element that occurs with internationalization process is the innovation within companies, since being exposed to the realities that come from outside the boundaries of company's country may spark innovations, upgrades and efficiencies for its products and services. Indeed, when a company competes on international markets its challenges and competitors increase, thus the company will have the opportunity to obtain major inputs coming from multiple markets, international feedback on its products, as well as the chance to observe other players on the global market. Therefore, a company can further improve their services and products through internationalization and it can even lead to the development of new products to fulfil newly detected demands. Besides that, having a presence in more than one country can help the company to ride out the winds of fashions and fads, increasing its immunity to trends. In fact, a product or service that has become dated and out of style in one location, may still be going strong in another.

From another perspective, investment firms and individuals are not distributed evenly across the globe, with large concentrations of investment money available in some areas and small in others. Depending on the target country for expansion, the company may find that growing its business internationally allows the access to investment capital far beyond that which is available in the original location of the business and the company may be able to leverage export financing. Besides that, one of the most valuable advantages of international trade is that the company can also benefit from currency conversion, if decide to operate in a country with a stronger currency than its home country.

Taking into account the costs associated with company's operations, international business can open up opportunities for reduced resources costs and larger lucrative markets. In case of the business is distributed for multiple location it will naturally increase the quantity of products and supplies, allowing the company to negotiate lower prices for its growing bulk purchases. Basically, there is an inversely proportional relationship between the size of the operations and per-item costs.

Another advantage of a physical expansion to a different country is to improve consumer confidence, subsequently customers are likely to have increased trust if the company has a registered, localised office or stores in the country, particularly if after-sales support is an important factor in the industry. Actually, doing business in other countries can boost company's reputation, since successes in one country can influence success in other adjacent countries, which can raise company's profile in its market niche, increase the visibility of the brand and intensify company's credibility, both abroad and at home.

One of the significant advantages of international trade is the market diversification. If the company decide to focus only on the domestic market, it may be exposed to increased risk from downturns in the economy, political factors, environmental events and other risk factors. For this reason, becoming less dependent on a single market may help the company to mitigate potential risks in its core market. Finally, if the company operates across borders, may have an outlet to dispose of surplus goods that it is unable to sell in its home market.

2.5. Risks

Every country presents its own investment opportunities, however before a company decides to expand its business overseas, it must be aware of the additional risks of the foreign trade market. In an increasingly competitive environment, there are numerous challenges for SMEs that must be taken into account in the internationalization process. These challenges include the intensification of competition, the stagnation of traditional markets that have led to new approaches and different forms of trading, the continuing need for specialization and differentiation, adaptation to new markets trends and new customers, innovation practice and cost efficiency, among others.

The main risks that are associated with businesses engaging in international finance also include foreign exchange, political, country, and regulatory risk, these risks may sometimes make it difficult to maintain constant and reliable revenues.

Firstly, foreign exchange risk occurs when the value of an investment fluctuates due to changes in a currency's exchange rate. Contrary to what was described in the advantages of internationalization of a company, when a domestic currency appreciates against a foreign currency, profit or returns earned in the foreign country will decrease after being exchanged back to the domestic currency. It can be quite difficult to protect against this kind of risk, due to the volatile nature of the exchange rate. In fact, constant fluctuations of a foreign country's currency, can reduce profits and harm sales and revenues. In general, organizations engaging in international activities can experience much greater uncertainty in their revenues and an unpredictable stream of revenue can make it difficult to operate a business effectively.

Taking into account the political risk, which emerge when a country's government unexpectedly changes its policies and can negatively affect the foreign company. These policy changes can include trade barriers, which serve to limit or prevent international trade, and additional funds or tariffs in exchange for the right to export items into their country. In fact, tariffs and quotas are usually used to protect domestic producers from foreign competition and it can restrict the amount of revenues that can be earned by the foreign company. An unstable or ineffective government will be unable to protect company's business interest and an incoming government may not be business-friendly and may decide to increase tariffs or impose quotas. Even thought, the amount of trade barriers has been moderated due to free-trade agreements, the everyday differences in the laws of the diverse countries can influence the profits and overall success of a company doing business transactions abroad.

Regarding country risk, it refers to poor infrastructure, such as roads, bridges and telecommunications networks that can make it expensive to operate a business in another country. Besides that, unfavourable economic conditions, such as high unemployment or a largely unskilled labour force can represent barriers to entry. There are nations that may pose risks such as terrorism, internal conflict, civil unrest, crime and corruption. Additionally, anti-foreign sentiment among citizens, workers and government officials, may also make business abroad especially challenging.

Finally, regulatory risk includes a poor legal system, a sudden change in trade laws or changes in banking laws, which may limit company's ability to repatriate money to its home country or may limit access to funding. Along with getting your company structure in place, gaining a comprehensive understanding of the local laws and regulations governing your target market is fundamental.

3. Why Morocco?

As mentioned before, Laverde is already present in several countries around the world and the decision to internationalize to Morocco mainly had 3 factors in mind: firstly due to a reactive reason, since the new factory is expected to double its production capacity and there is a need to dispose of the excessive production; subsequently as a result of a proactive motive, since most of the raw materials used by the company are of Moroccan origin, but currently the company is purchasing it to intermediate countries; and finally Morocco represents a gateway into a new continent and could facilitate the entry into other African countries.

3.1. A source of raw materials

Laverde seeks to use quality and distinction raw materials in the primary production or manufacturing of its biological and natural cosmetic products. Even though most of the raw materials used in the production of its cosmetics have origin in Morocco, the company currently buys most of these raw materials from third countries such as France, Germany, Switzerland, Finland and Spain, among others. Laverde should create contracts with local farmers and this would be an advantage not only for the company, but also for the country, since in this way Laverde would be developing local agriculture.

In fact, the only raw material that Laverde buys directly in Morocco is ghassoul, from the *Société du Ghassoul et de ses dérivés séfrioui* (1954), located in Fès. Ghassoul is a 100% natural clay, recognized for over 12 centuries in North Africa and the Middle East for its extraordinary properties. The only known ghassoul deposits in the world are located in Morocco (200km from Fès), carefully crafted by the Ghassoul Society and its derivatives, that exploit, treat, market and export worldwide the ghassoul extracted. It is an ECOCERT certified society and offers a special treated clay intended mainly for the fields of cosmetics and dermatological products.

The oil, made from the argan tree (*Argania Spinosa*), founded almost exclusively in Morocco and currently known as the "gold of Morocco", is produced by Berber women's cooperatives (North African peoples), who harvest its fruits and produce the oil by hand. UNESCO has recognized the importance of this region and has classified the Moroccan Argania Forest as a Biosphere Reserve since 1998. Nowadays, the product is exported and traded all over the world. However, Laverde does not purchase this raw material directly from its main country of origin.

Laverde's entry into Morocco may facilitate the direct contact with local suppliers and although the uncontrollable bargaining power of suppliers, it can have a significant influence on the entire organizational structure. For this reason, it is crucial for the company to take into account the various raw materials it can use and its existing suppliers, in order to reduce the dependence on a specific supplier and to control the impact of raw materials on its production costs and profit margins (Porter, 1979). In addition, since the supply of organic raw material for cosmetics production in Morocco is very wide, the bargaining power of suppliers is reduced, which is an advantage for Laverde.

The suppliers of organic and natural argan oil in Morocco are distributed throughout the various areas of the country. Based in Marrakesh, there are Inkubia and Select Herb; in turn, in Tamanar, there is ArganEve; in Agadir there are currently Argane World Oil, Efas, Margane Sarl, Argatlas Coopérative Agricole Fémine Tagmat Aziar, Argabio Lune Sarl, Adrar Argane, Ste Entrbiohuil, Ghirass Nature, Ste pays D'argan import export and Medina Bio; taking into account Tiznit, there is Ste Sud Bio Import Export+; based in Casablanca there are Lesieur Cristal, Afri Cos, Argan Amlou Maroc Sarl and Argan Star; in Féz there is Oldpharma; operating in Méknes there is Riham Huiles Essentielles; regarding Taroudant, it operates Aciehboune Products and Bio Souss Nature; and in Essaouira, are based Les Huiles D'Essaouira Sarl and Morganico.

3.2. Incentives for internationalization

Incentives for internationalization are measures or activities which benefit the creation or expansion of Portuguese companies in a foreign country. These support projects exist to respond to the need to increase the export capacity and international recognition of SMEs, always having in mind a strategic orientation towards results.

There are financial support and incentives for export-related expenses, such as credit insurance, credit lines and SME internationalization incentive system. Credit insurance mitigate the risk of not receiving cash for sales to customers located abroad, in its turn the credit lines allow financing with a favourable interest rate and finally, the SME internationalization incentive scheme guarantees in-depth support for expenses related to increasing your company's exports.

3.2.1. Portugal 2020

Portugal 2020 is a financial, tax and human resources incentive program, which is applicable to investment projects that submit an application and are approved. It is the partnership agreement adopted between Portugal and the European Commission, bringing together the participation of the five European Structural and Investment Funds - European Regional Development Fund, Cohesion Fund, European Social Fund, European Agricultural Fund for Rural Development and European Fund for Maritime Affairs and Fisheries – which define the programming principles that enshrine the economic, social and territorial development policy to promote in Portugal between 2014 and 2020.

The Portuguese government plans to have 100% of Portugal 2020 approved and an execution of 50% by the end of 2019. The funds are a contribution to the realization of the project, but does not fully fund it and treasury capacity is required according to project typologies. For the realization of the project, the company can count on the existence of advances, whose modalities also vary depending on the typologies. However, the logic is mainly to have the expense reimbursed. Portugal 2020 presupposes a clear results orientation, thus when a project is approved, it not only commits itself to its physical and financial realization, but also to the achievement of the expected and contracted results. In fact, achieving the agreed targets will be effectively monitored and will be audited.

The program and implementation of Portugal 2020 is organized into four thematic areas: competitiveness and internationalization, social inclusion and employment, human capital and sustainability and resource efficiency. In this particular case, Laverde's potential application is related to competitiveness and internationalization, which focuses on increasing exports and skilled employment and on investing more in research, development and innovation. In addition, it aims to enable SMEs to operate in global markets and reduce freight costs and times. In fact, incentives for the internationalization of SMEs guarantees incentives at lost fund on expenses related to the increase of your company's exports.

To access the incentive program, must be made an application for Portugal 2020 through the online portal[2]. The notices of applications are published annually and companies have a fixed period to apply (30 to 60 days). Actually, there are numerous expenses that can be included when the company joins the incentive program, such as the participation in international markets and exhibitions (space rental, rental or construction of stand, expenses of electricity, cleaning, translation, material transportation, employee travel and hotel stay), customer prospecting, advertising in specialty magazines, search engine adverting (Google) and social networks, marketing campaign, website (creation or redesign), company presentations, product catalogues, market studies, branding trademark, registration, patent registration, product or company certifications, hiring qualified employees (graduates), among others.

The expenditure is supported by an incentive at lost fund with a rate of 45% for investments located in the Norte, Centro, Algarve and Alentejo and a rate of 40% in case of investments located in Lisbon and Vale do Tejo regions. Since Laverde's location is in Coruche, which belongs to Vale do Tejo region, the company will benefit from a 40% rate incentive at lost fund. This incentive at lost fund is a community incentive specifically directed to the national industry and is called a lost or non-repayable fund, meaning that the company does not return the incentive received. The objective is to transform the Portuguese industrial fabric, reinforcing its export capacity and presence in foreign markets. The maximum incentive limit is €500,000 and projects can be realized within a period of 2 years.

3.3. External environment

The external environment plays a critical role in determining the future of whole industries and those of individual businesses. In fact, an external environment is composed by all the outside factors or influences that impact the operation of business and affect the organization's performance. The business must act or react to keep up its flow of operations. In order to keep the business in advance of the competition, managers must continually adjust their strategies to reflect the overview of the environment in

[2] The "*Balcão 2020*" is the access point to the Operational Programs for all entities wishing to apply for funding for their projects. (https://balcao.portugal2020.pt/Balcao2020.idp/RequestLoginAndPassword.aspx)

which their businesses operate. For this reason, it is extremely important and useful to do an external analysis at the start of the strategy review process.

3.3.1. PESTEL Analysis

A PESTEL analysis is a framework used to analyse and monitor the macro-environmental factors that may have a profound impact and influence on the organisation’s performance. In this regard, this tool is especially useful and effective when starting a new business or entering a foreign market (Johnson, 2008).

The **political** factors have a direct impact on organisations and affect how they do business, in fact companies need to be able to respond to the current situation of the country and to anticipate future legislation, in order to adjust their management policy accordingly.

Morocco is a parliamentary constitutional monarchy, whereby the Prime Minister of Morocco (Saadeddine Othmani, since 2017) is the head of government, and a multi-party system. The executive power is exercised by the government and the legislative power is conferred in both the government and the two chambers of parliament: The Assembly of Representatives of Morocco and the Assembly of Councillors.

In Morocco the political landscape has undergone significant changes over the decades. In early 2011 the King responded to the spread of pro-democracy protests in the region by implementing a reform program that included a new constitution, passed by a popular referendum in July 2011, under which some new powers were extended and enlarged to parliament and the prime minister, but ultimate authority remains in the hands of the monarch. The constitution grants the king honorific powers, in fact he presides over the Council of Ministers, appoints the Prime Minister form the political party, that has won the most seats in the parliamentary elections, and on recommendations from that latter, appoints the members of the government. The JDP – a moderate Islamist party – won the largest number of seats in parliamentary elections, becoming the first Islamist party to lead the Moroccan Government. In September 2015, Morocco held its first direct elections for regional councils, one of the reforms included in the 2011 constitution and JDP again won the largest number of seats in nationwide parliamentary election in October 2016.

In order to boost exports, Morocco has partnerships and bilateral agreements with several countries, in fact the country entered into a bilateral Free Trade Agreement with the USA in 2006 and it was really important for Moroccan foreign trade by allowing it to export industrial products and consumer goods to that duty-free market. This competitive advantage can also be enjoyed by Portuguese companies based in Morocco. In fact the relationship between Morocco and the EU is ruled essentially by the Euro-Mediterranean Association Agreement, signed in 1996, which establish a reciprocal trade liberalization through the progressive creation of a free trade area and the abolition of customs duties for industrial products, during a transitional period with maxim duration of 12 years. In 2013 began negotiations between the parties with a view to the conclusion of Deep and Comprehensive Free Trade Area, which aim to introduce a more ambitious dimension in the relationship between Morocco and the EU. Over the years Morocco has capitalized on its proximity to Europe and relatively low labour costs to work towards building a diverse, open, market-oriented economy and the country remains decisively chained to the European market, which is its main trading partner, accounting for 67% of the country's exports.

Morocco is an integrate part, among others, of the BADEA, which is the Arab Bank for economic development in Africa, the IDB, the PAFTA, the GSTP among developing countries, the AFESD, the ADB and of the EBRD. The country is also a member of the WTO, since 1 January 1995. At a regional level is part of the AU, the LAS, the AMU and the AMF. Morocco has signed several trade agreements, such as Arab Mediterranean Free Trade Agreement (Agadir Agreement), Pan-Arab Free Trade Area, also known as Greater Arab Free Trade Area and the agreement with the United Arab Emirates.

Under these circumstances, due to the agreements mentioned above, both with countries of the EU and with countries of the African continent, and moreover as a result of the geographical location of the country, Morocco presents itself as a strategic point for the implementation of new businesses. Besides that, with Africa increasingly seen as a future engine of global growth, Morocco is a potential gateway to the continent. In fact, the country is in a tactical location for access to Europe and it is also well located as a platform for reaching other international markets, especially North and West Africa. Regarding Portugal and Morocco there are currently excellent bilateral relations, which are based on solid partnerships and a shared will to strengthen ties between both countries. In fact, Morocco represents an important opportunity to Portugal and it is Portugal's current primary trade partner in the Arab world and the second in Africa, following Angola which was a former colony of Portugal.

Morocco has a modern labour law, which is inspired by the conventions and recommendation of the International Labour Organisation. In order to obtain a further details of the conditions and requirements of the hiring system when investing in Morocco, please consider "Appendix 2: Moroccan Labour Law".

The General Tax Administration manages mainly four state taxes: corporate tax, income tax, VAT, registration and stamp duties. Besides that, it is also responsible for managing three local taxes on behalf of local authorities: business tax, tax on dwellings and tax on communal services. The system is statutory-based and has been recently updated in part with effect from 1/1/1996 by the Investment Charter (Law No. 18/95). There is practically no case law on taxation and tax-issues barely come before the courts. Generally, the tax authorities do not issue advance rulings on taxation matters. In fact, the wage cost in Morocco is on average 73% lower than in Europe. The Social Security dependent on the enterprise in Morocco is 18.7%, compared to the average 34% in Europe. For a more accurate view of the Moroccan tax policy applied to companies operating in the country, please take into consideration the "Appendix 3: Taxation of companies".

Companies have possibly never faced such an extensiveness of challenges and difficulties as they do today. From emerging economies to mature ones, business and trade are progressively vulnerable to uncertainty, with political risks posing a threat to their business interests. According to Marsh's Political Risk Map, which is based on data from Fitch Solutions, highlights alterations from last year and looks ahead to ongoing risk, Morocco risk index is 57.7 in 2019, in a scale from ≤ 49 (unstable) to 100 (stable). The rating agencies are not pessimist about the economic situation in the country, since Moody's Analytics are giving a B1 stable, Standard & Poor a BBB-/A-3 and Fitch a BBB-stable. The stable outlook reflects expectation that fiscal consolidation will continue over the next few years, which will help stabilize debt. In fact, political stability in Morocco appears more assured than in most other Middle East and North Africa countries. Although, with poverty and unemployment still high, the country will remain vulnerable to bouts of social turbulence. In addition, emphasizes that a large numbers of Moroccans fought in militant groups in Syria and Iraq, including in Islamic State, which raise the risk of terror cells eventually being set up in the country. Besides that, Morocco will also face pressures from a wave of African migrants, which use the country as a transit point towards Spain and the instability in the Sahel region of Africa also poses security risks for North African nations.

In turn, according to the international insurance consultant AON, which also draws a political risk map, where it assesses the level of investment risk according to the political situation of each country, Morocco has medium overall risk, better than most of its peers. The consultant also refers that the risk of political violence is medium-high, driven in part by organised crime and that the country faces boundary disputes against the self-proclaimed Polisario Front, this so-called "Western Sahara conflict", which is the extension of a 1973 insurgency. Considers a medium risk of supply chain disruption, which reflects the average quality of transport infrastructure and the government's incapability to respond to disruptions. Although, these vulnerabilities are slightly counterbalance by the reasonable quality of the country's ports and roads.

Considering an **economic** perspective, Morocco is one of the growing economies in North Africa, which is expected to growth at a rate of 4.6% in 2020 (Centre Marocain de Conjoncture, 2019) and it is one of the most competitive and diversified economies, particularly relative to many countries in the MENA region. Since 1993, the country has made important measures to privatize certain economic sectors, which used to be in the hand of the government. In fact, the economy is considered relatively liberal, governed by the law of supply and demand.

Since 1999, King Mohammed VI has presided over a stable economy marked by a solid development, progressively decreasing unemployment and low inflation, contributed to an economic slowdown in the country even with the economic difficulties faced in Europe. In fact, the economic weakness and deleveraging in Southern European countries, Morocco's greatest trading partners, have hit country's growth. This has resulted in deteriorating trade, external and fiscal balances, although an IMF credit line has provided support.

The unemployment rate has fallen considerably over the last few years, this event happened mainly due to the great investment of the government in specific sectors, such as public works and services, which are the segments with the highest rates of growth and employability in the country. Despite Morocco's economic progress, the country still has high unemployment, illiteracy and poverty, predominantly in rural areas. For this reason, the key economic challenges for the country include reforming the education and the judiciary systems. Macroeconomic stability should strengthen as structural reforms and fiscal consolidation come into effect.

In a statistics elaborated by The World Bank in 2018 has been revealed that Morocco has a GDP of $118,495 billion and it clearly presents a trend of higher growth in the coming years. It is expected that the country reaches in 2020 a large production capacity and an infrastructure capable of supporting the country's high growth. As regards to imports and exports, which represent the value of all goods and market services received and provided, respectively, to the rest of the world, Morocco has had a surprising growth since its economic opening. Actually, in 2018 imports (% of GDP) recorded a value of 48.805 and exports (% of GDP) of 38.282. The growth trend is clearly timely to enter the Moroccan market and invest in the country. However, it is essential to consider currency conversion. The currency unit is Moroccan Dirham (MAD) and € 1 corresponds to 10.65 MAD (BdP, 27 September 2019). According to the country risk classification of the Officially Supported Export Credits elaborated by COSEC, Morocco is included in group 3 (1 = lower risk; 7 = higher risk) and the country is considered a market for diversification of opportunities.[3]

Considering the economic relations between Portugal and Morocco, according to a study prepared by AICEP Portugal Global, Morocco represents an important market for Portuguese international trade of goods and services, occupying the 11th position in the ranking of clients in 2019 (from January to May), with a share of 1.23% in the exports. As a supplier, Morocco's share does not exceed 0.23%. To analyse the data on bilateral economic relations between Portugal and Morocco between 2014 and 2019, please refer to "Appendix 4: Economic Relations between Portugal and Morocco".

The key sectors of the economy include agriculture, tourism, aerospace, automotive, phosphates, textiles, subcomponents and apparel. These sectors have received new subsidies from the government and have had greater internal and mainly external investments. The tertiary sector or service sector, which is the segment of the economy that provides services to consumers, represents an average of more than 50% of the GDP of Morocco and is followed by services, such as health, finance and education, which account for an average of 25% of GDP. Subsequently, the manufacturing industry, agriculture and fisheries, public administration and social security, and finally transports and communications are followed.

An interesting aspect of Morocco's economy is the rapid growth of the manufacturing sector. Furthermore, the government is trying to mitigate socioeconomic grievances by rapidly building up the country's manufacturing sector and it is expected a fully satisfy

[3] COSEC (Companhia de Seguro de Créditos, SA) is the leading insurer in Portugal in the áreas of credit and bond insurance, offering the best solutions to support credit management in the domestic and foreign markets.

demand for job creation over the coming years. Even though Morocco runs a structural trade deficit, this is normally counterbalance by considerable services earnings from tourism and large remittance inflows from the diaspora, and the country habitually runs a small current account surplus.

Moreover, the country has increased the investment in its port, transportation and industrial infrastructure to position itself as an intermediary and trader for business throughout Africa. The industrial development strategies and infrastructure improvements, such as a new port and FTZ near Tangier, are improving Morocco's competitiveness. In late 2014, the country eliminated subsidies for gasoline, diesel and fuel oil, intensely falling expenditures that weighed on the country's budget and its current account. However, the subsidies on certain food products and butane gas remain the same.

Social factors, also known as socio-cultural factors, involve the shared belief and attitudes of the population. These factors are of particular interest, since they have a direct effect on how managers understand customers.

The country has an area of 446,550 square kilometres with an estimated population of 36.47 million in 2019, which corresponds to an overall population density of about 81 people per kilometre. Actually, Morocco's population currently ranks 40th in the world. The population growth rate of the country is currently 1.04% annually, which has been rising progressively for the past few years after two decades of decline. Casablanca is the most populous city, with more than 3 million of total residents and the commerce center of the country. The political capital is Rabat, which is home to 1.4 million citizens and some major cities are: gateway city of Tangier, the tourist center of Marrakesh and the religious center of Fez.

Morocco is going through a demographic transition, in fact its population is growing, but at a declining rate, since people live longer and women have less children. In the last decades, infant, child and maternal mortality rates have been decreased through better health care, hygiene, nutrition and vaccination coverage, while inequalities between urban and rural and rich and poor households persist. As a result of increased female educational attainment, higher contraceptive use, delayed marriage and the desire for smaller families, there was a decline of Morocco's total fertility rate from 5 in mid-1980s to 2.2 in 2010. However, the population should continue to grow in the next years and the country is expected to have a population of about 42 million by 2050.

Actually, Morocco remains a demographically young country, with 27% of its population under the age of 15, 18% between the ages of 15 and 24 years old, 42% between 25 and 54, 7% between the ages of 55 and 64 and just 6% with 65 years and older. In 2018 the median age in Morocco was 27.9 years old and life expectancy was 75.9 years of age. Furthermore, the percentage of young adults, that is persons aged between 15 and 29 years old, correspond to almost 26% of the total population and represent a potential economic asset, if they can be profitably employed. However, at the moment there are many youths that are unemployed or that have jobs work in the informal sector, with little benefits or security, since Morocco's job creation rate has not kept pace with the growth of its working-age population. The total dependency ratio of population in Morocco is 51.4%, which refers to people who are generally not in the labour force (dependents) to workforce of a country (productive part of population). The dependent part includes generally the population under 15 years old and people aged 65 and over. In fact, this value shows that the dependent part of population is more than a half of the working part and that the pressure on productive population in Morocco is relatively high.

Morocco's education and public health-care sectors are going through serious crises amid the government's inability to find a solution to repeated strikes.

According to the estimation data - "Morocco population literacy" - published by UNESCO Institute for Statistics (March, 2016), 73.33% of adult population (≥ 15 years) are able to read and write, in fact the literacy rate for adult male population is 82.72% and for adult female correspond to 62.5%. The education system in Morocco is divided into: Primary School, Basic Education, General Secondary, Technical Secondary, General University, Technical, Bachelor and Master, whereas Primary School education is compulsory. Currently in Morocco there are more children enrolled in school, more schools in rural areas and some of them already have internet access, however the education quality is still low. In fact, according to the World Economic Forum's annual report for 2016/2017, Morocco ranked 119th out of 137 countries for quality of education system and the ranking got worse the following year (2017/2018), falling to 120th.

Regarding the Moroccan health system, it includes a public sector, a private not-for-profit sector and a private for profit sector, and it is currently experiencing a number of reforms, including a financing reform, institutional reforms and hospital reform. The government spends around 5% of the GDP on the healthcare sector, in fact the government allocated nearly $3 billion in the 2018/2019 budget to the health-care sector, which include $732 million for construction and equipment at the University Hospital

Centers. At the moment there are 5 University Hospital Centers and 6 military hospitals located in the large cities, for instance Casablanca, Rabat, Marrakesh and Fes. Additionally, there are 137 hospitals in the public sector and the private sector healthcare market is growing rapidly as there are 320 private clinics and 9,661 specialist doctors in Morocco. The Healthcare System is comprised of AMO, a mandatory health insurance which is divided into a private part called “La CNSS”, which reimburses up to 70% and a public part, “La CNOPS”, that reimburses up to 80%.

As can be seen in the pyramid represented bellow, Morocco has an expansive population, with a pyramid that has a broad base and narrow top, which is common for developing nations with young and growing populations, high fertility and birth rates and low average life expectancies. Moreover, as described before the country is characterized by a relatively short life expectancy, a low level of education and poor health care. This type of pyramids shows a larger percentage of the population in the younger age cohorts, usually with each age cohort smaller in size than in one below it.

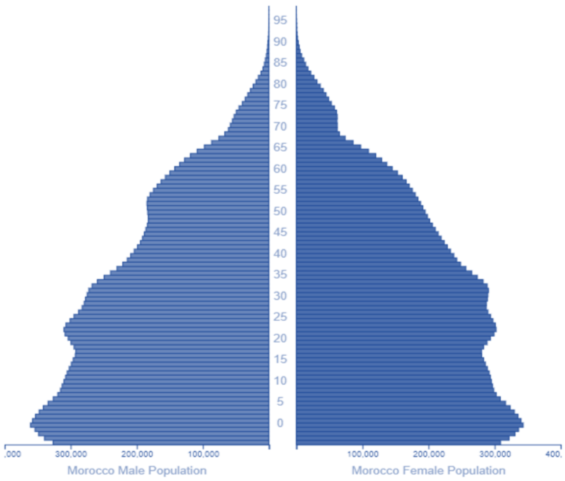

Figure 2 - Morocco population pyramid
(Source: United Nations - World population prospects 2019)

Approximately 99% of Moroccans are Sunni Muslims, predominantly Arab-Berber, Berber, Arabized Berber and Niger-Congo ethnic background. The mix of cultures has given Morocco a complex business etiquette. As most Moroccans are practising Muslims, Islamic values have a fundamental influence on the political sector and on business culture. However, Morocco is a former French protectorate and many of its business practises are based on the French system. Personal relationships play a fundamental role in striking a deal with Moroccan business partners and they prefer to personally know their foreign counterparts before doing business with them.

The speed of **technological** advances and the way they influence and impact business development is quite significant. In fact, this factors affect management through different perspectives, such as new ways of producing goods and services, different methodologies of product and services distribution and innovative techniques of communication with target markets. Science and technology sectors in Morocco had a significant progress in recent years and the government has been implementing reforms in order to encourage scientific research and technological development in the country. Even though research has yet to acquire the status of a national priority, Morocco does have major assets that could transform its R&D sector into a key vehicle for development. According to the Africa Capacity Report, elaborate by the Africa Capacity Building Foundation (March, 2017), Morocco leads in technology, science and innovation capacity in Africa. The assessment was based on numerous criteria including policy environment, implementation, and capacity of development results.

The investment reform plan presented in July 2016 by the Minister of Industry, Trade, Investment and Digital Economy was very important and represented a fundamental step in the development of new reforms for building a competitive and efficient economic model. The Moroccan government has lifted the prohibition made by the Telecommunications Regulatory National Agency over the internet protocol (VoIP) services, in order to continue its efforts to promote an attractive destination for outsourcing services and a strategic location in the global digital movement. In terms of digital progress, the country still fights with disparities in access to computer technologies in crucial sectors. In Morocco the internet users as percentage of total population has increased over the years, in 2018 correspond to 62%, although the country's network readiness index remains relatively low, ranking 78th out of 139.

According to the UNESCO Science Report towards 2030, green technologies has become a focus of innovation in Morocco and the country is determined to compensate for its lack of hydrocarbons by becoming the leader in Africa for renewable energy by 2020.

Environmental factors have become important in the last years due to the impact of climatic change, the growing insufficiency of raw materials, pollution targets and carbon footprint. For this reasons, nowadays it is essential to do business as an ethical and stainable corporation. Morocco faces numerous environmental complications, including some arising from natural vulnerabilities. The country is one of the most ecologically diverse country in the Mediterranean, which hosts around 40 distinct ecosystems and almost three-quarters are forest-based. However, these ecosystems have been incrementally affected by an increase in economic activity and population growth and this has involved the increase of intensive farming, mass tourism, urban sprawl and industrial pollution. Additionally, deforestation has led to the loss of 31,000 ha of forest land per year and whereas the country remains one of Africa's largest fish exporters and the largest sardine producer in the world, overfishing has resulted in reduced fish stocks. In order to solve these difficulties, the country has made some progress toward defining a national environmental action plan. For a more detailed view of the environmental law implemented in Morocco go to "Appendix 5: Environmental Reform Initiatives".

Located in the so-called Maghreb region, Morocco is the only African nation to have both Atlantic and Mediterranean coastlines, with a total of 1,835 kilometres of coastline. Due to the Mediterranean influence, the country has a rainy winter with mild temperatures, an extremely dry and hot summer and in the south there is a very hot desert climate. As a result of these weather conditions, the biggest natural resource that Morocco has is the solar energy. The country has one of the highest insolation levels on record, between 330 and 350 sunny days per years. For this reason, Morocco has a huge potential for solar energy, with irradiation of 5kWh/m^2 per day and 3,000 hours of sunshine per year. In addition, the country benefits from a strategic location to become a platform for global electricity trading. Morocco has established a solid legal framework in recent years to encourage the development of renewable energy and the implementation of energy efficiency strategies. Actually, the Moroccan government has launched a project to build a solar thermal energy power plant and is also in looking into the use of Natural Gas as a potential source of revenue for Morocco's government. The country has embarked upon the construction of large solar energy farms to lessen dependence on fossil fuels and to eventually export electricity to Europe.

Be informed of the details of the **legal** component of a country and its related aspects is critical to avoid problems. In fact, if a company trades globally it is crucial to know country's laws and it commonly becomes a very complex area, since each country has its own set of rules and regulations.

Morocco's legal system is a combination of several from around the world and it is a mixture of both Muslim Law and Civil Law. Civil Law originates in Europe and it involves an actual written code, which is a rational and universal code, applicable to everyone. The dual legal system consists of secular courts based on French legal tradition and courts based on Jewish and Islamic traditions. This system includes communal and district courts, courts of first instance, appellate courts and a Supreme Court. The Supreme Court is divided into five chambers: criminal, correctional appeals, social, administrative and constitutional. The functioning of the courts is absolutely practical, yet it is extremely nationalistic, admitting only Moroccan judges and the official language is Arabic.

In addition to some legislation that has already been referred throughout the PESTEL analysis, due to its relation with political, economic or environmental factors, it is essential to take into account the legal conditions of access to the Moroccan market. On one hand, for more information about the legislation adjacent to the constitution of a company in Morocco, please consider "Appendix 6: Steps to create a company". On the other hand, to have an idea of the applicable laws on importation to Morocco, please refer to "Appendix 7: General Import Regime".

3.3.2. Porter's Five Forces

Porter's Five Forces is a model that shape every industry and helps in the determination of its weaknesses and strengths. This model can be applied to any segment of the economy to search for profitability and attractiveness and it is frequently used to identify and industry's structure and to determine the corporate strategy. The five forces of Porter are the threat of new entry, threat of substitutes, bargaining power of customers and suppliers, as well as intensity of rivalry in the industry.

Taking into account the cosmetics industry in Morocco and according to a report elaborated by the Grand View Research, the cosmetics market size was estimated at approximately 10.6 billion MAD in 2017 and it is expected a CAGR of 7.5% from 2018 to 2025. In fact, the rising demand for body lotions, sunscreen and anti-aging creams among consumers is one of the main trends intensifying market growth over the forecast period. The demand for cosmetics in Morocco is expected to growth, due to the changes in consumer lifestyles, the increasing consciousness concerning skin care products and the growing disposable income of middle-class populations. A survey was conducted and analysed, in order to obtain a more accurate view of the cosmetics industry in Morocco and further detail regarding the consumer profile, please consider "Appendix 9: Survey analysis – Market and consumer behaviour study".

The **treat of new entry** analyses the ease with which a firm enter into an industry, in fact a company's power is also affected by the force of new entrants into its market. The less time and moneys involved for a player to enter in a specific industry and be an effective competitor, the more a firm's profitability may be significantly reduced. In fact, competitive industries are expected to attract many firms, which will attempt to capture a market share. An industry with strong barriers to entry is an attractive feature for companies that allows them to charge higher prices and negotiate better terms.

The cosmetic industry has a **high** threat of new entrants. Although the significant number of entry barriers in cosmetics industry, such as the huge costs of entry, it is a competitive industry and consequently, attract new entrants motivated to capture market share. Actually, developing distinctive and innovative cosmetic products involves numerous resources, in terms of research and development, manufacturing process and marketing. However, the access to required inputs for manufacturing is not very hard and there are high economies of scale by the existing players. In this industry gaining access to distribution and expected retaliation is also a moderate level barrier.

It is characterized as an industry with large size and besides the huge competitors, who have a large market share, there are some other small scale players who also have a small market share and who reduce the overall productivity of firms in the industry. Another factors which represents a barrier and discourages the entry into this industry are the vast knowledge of industry, products and target market that the actual players already have, the strong customer bases and consumer's loyalty. In fact, this industry is characterized by a strong brand identity and since companies already operating in the industry have client trueness and loyalty, it will avoid that, although new companies enter, their market portion from being affected, since clients have faith on their merchandises.

The **threat of substitutes** arises when there are similar products developed by competitors which satisfy the market needs.

In the cosmetic industry there is a **high** threat of substitute products, since there are many competitors and numerous products for the same purpose. If a company sell their products at higher prices or if the products have a low quality, consumers are able to purchase substitutes from the many competitors who are present in the market. For this reason, it is fundamental that the market players focus on innovation.

The **bargaining power of customers** considers the ability that consumers have to drive and manipulate price changes, due to shifts in demand.

The cosmetic industry has a **high** bargaining power of customers, due to the increased competition and due to the availability of cosmetic products from a diversity of manufacturers. Whereas these products have high substitutes, it may also force the company to reduce product prices as buyers can easily switch to other brands. In fact, undifferentiated products in cosmetics market have enable the consumers to choose from a wide variety of options without incurring any significant switching costs. Moreover, a major portion of the product demand is generated by large cities with higher income population groups that adopt a modern lifestyle. On an average approximately 10% of the total Moroccan population can afford to buy imported products and spend nearly 10 times extra as compared to the 10% population with the lowest income.

The **bargaining power of suppliers**, is a force that analyse how easily suppliers can drive up the cost of their products and it is affected by the number of existing suppliers of a good or service, how unique these inputs are and how much it would cost a company to switch from one supplier to another.

The cosmetic industry has a **low** bargaining power of suppliers, due to the high number of suppliers of diverse products. In fact, the differentiation of inputs, the presence of substitutes of inputs and the impact of inputs on cost is low.

The **intensity of rivalry in the industry** refers to the number of competitors and their ability to weaken a company.

The degree of competition amongst rivals in the cosmetic industry is **high**, since it is a large size industry and it is constituted by huge competitors, along with a large number of equivalent products and services. The difference of cosmetics is wide, for this reason there is an opportunity for rivals to sell different products. Besides that, the industry growth influences the development of competition and the existence of high fixed costs and low switching costs, increase the rivalry in the industry.

3.3.3. Competitors

In the business world it is nearly impossible for a company to not have any competition unless the product is extremely unique that the competitor is unable to replicate it. In cosmetic industry, there is a monopolistic competition characterized as an imperfect competition in which many firms sell products or services that are similar, but not identical and differentiated from one another and hence are not perfect substitutes.

As the entry and exit barriers are moderate, many companies can penetrate into the market, although companies without proper resource management would not stay in the market for long. The ability to minimize the cost as low as possible will be the only competitive advantage to stay in the industry. Unlike a monopoly, these firms have little power to set curtail supply or raise prices to increase profits and the decisions of any one firm do not directly affect those of its competitors. In fact, the monopolist competition is closely related to the business strategy of brand differentiation and innovation, in order to achieve higher market returns.

There are two different type of competitors: direct and indirect. The direct competition is a situation in which two or more businesses offer products or services that are essentially the same, as such the businesses are competing for the same potential market. This term contrasts with indirect competition, which is the conflict between vendors whose products or services are slight different, often called substitutes products, that could satisfy the same consumer need and, for this reasons the companies are competing within for the same market.

In Morocco, more than 70% of retail purchases take place in open markets, smaller corner shops and traditional stores. However, modern supermarkets and retail outlets are projected to gain a considerable share over the forecast period. Existing international retailers in the country mainly operate through partnerships. Regardless of the distribution channel Laverde chooses, when it comes to competition they all pose a threat to the company.

In fact, Laverde operates within the cosmetics industry, in the specific sector of organic and natural cosmetics. For this reason, the brand's direct competitors will be companies that develop organic and natural cosmetic products. Rising trend of the use of natural ingredients in cosmetic products is observed among various manufactures. This trend provides to the ever increasing demand for natural, herbal and organic cosmetic products among customers and creates potential opportunities for manufactures to innovate and develop new products in accordance to consumer preferences.

Currently in Morocco there are numerous companies selling cosmetics of natural and organic origin, either produced by local companies or imported from various countries. While French cosmetics and beauty products are popular in the nation, there are also several top-class Moroccan brands operating in the industry. In fact, there are various companies operating in the natural and organic cosmetics sector distributed throughout the country. In Casablanca there is a huge concentration of companies, such as NadifiArgan, Fenilia, Allnatural, TCCIE Sarl, Argan Star, Rimaco, Arganelli, Chavha, Produits de Beauté Naturel and Bayaflore – Baya Cosm. In its turn, in Marrakesh operate Femiella, Argalista, GTT, Essence Phyto and Comaroild. As in Casablanca, in Agadir there is a large number of companies, such as Les Bios d'Agadir Sarl, Medina Bio, Argandior, Ghirass Nature, Malak Bio, Efas, BB – Cosmetic, Timsray, Bio Miss, Mybio Sarl, Kiod Argan Sarl, Diar Argan, Zymophar Biotech and Zineglob – Production & Export.

Regarding Temara there is Morocop, in Mirleft operates Arganart de Vie, in Rabat there is the Trade Infinity, in Taroudant the Amorre Argan and in Essaouira is installed Mil-you Parfum. Finally, in Tanger there is Setrogal, in Sidi Ifni the Divers Dhu Ltd, in Mohamedia the Natureo Moroc, in Safi operates Aghsane, in Meknes the society S.A.R.L Tijara – Discount, in Inezgane the Herbabio and in Ait Mellow the Coopérative Wirgane.

As mentioned above, the cosmetic industry is very large, has a very wide offer through numerous distribution channels and there are many substitute and alternative products. For this reason, in the Moroccan market there are numerous potential indirect competitors for Laverde. Actually, Morocco cosmetics market is characterized by the integration of companies throughout the value chain including raw material supply as well as product manufacturing and supply stages.

Recently the Moroccan cosmetics sector has just seen the rise of a new body, which presents itself as a threat to Laverde: the foundation of Moroccan Cosmetics Association (*Association Cosmétiques Maroc*), founded on 26 January 2017, in Casablanca, by seven companies already operating in the country, namely Avon, Colgate Palmolive, L'Oreal, Pélissard Pierre Fabre, Procter & Gamble and Unilever. The main purposes of this association are the development of the sector at national and international level and the exchange of information and knowledge between entities. In addition, it also aims to combat counterfeiting and fraudulent imitations of brands, as well as promote the safety and quality of cosmetics. There are numerous companies that are also present in Portugal and for this reason they are Laverde's competitors in the national market, such as Garnier, Yves Rocher, Le Petit Marseillais, Dove, Nivea, Klorane, Head & Shoulders and Herbal Essences, among others.

4. Strategic Analysis

A strategic analysis is an external review of what is happening in the environment in which an organization operates, as well as a short, medium and long term futures and it is a fundamental process to formulate strategic planning, for decision making and smooth working. Thus, it will helps the organization to determine what areas need improvement and areas that are already doing well and it helps the objective or goals that are set by the organization to be fulfilled.

4.1. SWOT Analysis

A SWOT analysis is a framework used to evaluate a company's competitive position and to develop strategic planning. This analysis assesses internal and external factors, as well as current and future potential. On one hand, strengths and weaknesses are internal factors the company, things over which the organisation has control and may decide to make changes. On the other hand, opportunities and threats are external features, which are going on outside and the company can take advantage of opportunities and protect again threats, but it cannot change them. The main objective of this analysis is to help organizations to develop a full awareness of all the factors involved in making a business decision. Besides that, company should use a SWOT analysis to discover recommendations and strategies, with a focus on leveraging strengths and opportunities to overcome weaknesses and threats.

This analysis can be applied to the whole organization or to a specific project that the company intends to develop and implement. In this particular case, the analysis will be based on Laverde's internationalization to Morocco, in order to facilitate the feasibility analysis of this project. In fact, this SWOT analysis highlights the strengths that the company already has in Portugal that facilitate its penetration in the Moroccan industry and the opportunities that can lead Laverde to improvise its capabilities. Additionally, the analysis take into account the weaknesses that the company must improve and the threats that exist in the country and industry that may affect the company's business.

STRENGHTS	WEAKNESSES
- Experience, know-how and qualified team; - Modern equipment, technology and infrastructues; - High productive capacity; - Organic and natural products certified by an Europen entity; - Experience in international markets; - Continuous investment in R&D; - Complete process: production, packaging and labeling; - Benefit from large economies of scale.	- Lack of reputation in Moroccan cosmetic industry; - Small company relative to competitors; - Does not have its own brand; - Not present in the African market; - Currently has no business partners in Morocco; - Do not have a website; - Do not have a catalogue of products; - Organic and natural products have higher prices.
OPPORTUNITIES	**THREATS**
- Euro-Mediterranean agreement that facilitate business between Morocco and Portugal; - Morocco cosmetic market size is expected to grow at a CAGR of 7.5% from 2018 to 2025; - Economy characterized by low inflaction; - Consumer purchasing power is increasing; - Moroccan consumers have a growing demand for natural and organic products; - Acquisitions and joint-ventures are an integral part of the market; - Establish direct contact with local raw material suppliers.	- Competitive market with several players; - Linguistic differences (Arabic and French); - Loyalty of customers to actual brands; - Existing associations between major industry brands; - Significant social disparities by region and a high proverty rate; - Costumers are particular sensitive to price factors and payment methods; - Establishment of several protecctionist measures applied to importers in Morocco; - Specific cultural factors.

Figure 3 - SWOT Analysis
(Source: Author's Elaboration)

4.2. Critical Success Factors

Critical success factors is a term for an element that is necessary for an organization or project to achieve its mission, in other words refers to variables or circumstances necessary to enable a positive outcome for a business program or strategy. CSFs are unique to each organization and will reflect the current business and the future goals.

Regarding Laverde, there are some CSFs that already distinguish its business in Portugal and that in an internationalization register for Morocco will make it easier for the company to stay focused on its goals and to fulfil its mission. In fact, the recent investment in great infrastructures, recent technology and sophisticated equipment, associate with worker qualification, continuous investment in R&D and a rigorous quality control center, enables the company to develop innovative and quality products that are certified by European entities.

In addition, since this is a project in which Laverde will penetrate a highly competitive market, a determining factor of success will be the establishment of partnerships, both with suppliers and companies that already operate in Moroccan cosmetics sector. Actually, this enables strategy alignment, resources sharing, development of synergies, minimization of transaction costs and increased market power.

4.3. Mission, Vision, Values and goals

Mission: Guarantee the production of cosmetics with high quality standards and the use of certified organic products, both raw material and packaging.

Vision: To be recognized as a company of excellence in the research and development areas, guaranteeing the quality of cosmetics with biological origin and the satisfaction of national and international clients.

Values: Laverde's values are based on its daily activity and are the guidelines for the fulfilment of its objectives, taking into account the mission and the vision of the company.

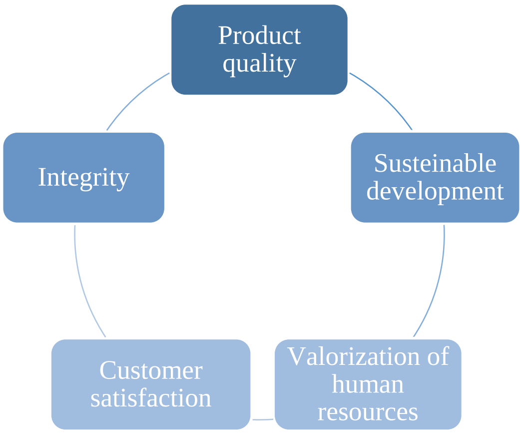

Figure 4- Laverde's Values
(Source: Author's Elaboration)

Strategic objectives: The set of objectives defined by Laverde should guide its activity and encourage its members to fulfil its mission and achieve the vision of the company. For this reason, the company defined the following SMART goals:

- Increase production capacity to double;

- Focus on international expansion and start its activity in a new continent (Africa), taking Morocco as the starting point;
- Invest in research and development and increase the investment of human resources in a more incisive way in the laboratory;
- Ensure product quality and continuous improvement;
- Be able to have a faster and more efficient response to its customers’ requests;
- Remain continuously informed about technological progress, to make the production process profitable and upgraded;
- Incessant demand for certified raw materials, in order to respect the environment and the chemical composition adjusted to humans;
- Increase the volume of business, attracting large national and international economic groups;
- Development of new, sophisticated and customized product ranges.

5. Strategic formulation and business plan method

The strategic formulation procedure is one of the steps of the tactical management process and consists in an analytical process of selection the best suitable course of action to meet the organizational objectives and vision. The strategic business plan allows an organization to examine its resources, provides a financial plan and establishes the most appropriate action approach for increasing profits.

Now that was proved that there is a real opportunity for Laverde to go in Morocco and after a detailed analysis of the various possible internationalization strategies, the company considers that the most advantageous method is to open a branch in Morocco.

5.1. Laverde branch in Morocco

As previously mentioned, a branch is not recognised as a separate legal entity under Moroccan corporate legislation and it has no legal required minimum capital. It is required to legally appoint a representative to act on its behalf in Morocco and the powers of the legal representative must be clearly defined in writing. Additionally, a notary public or the Moroccan Embassy/Consulate in the country of origin must authenticate the signatures of head office officials empowered to delegate such powers to the local representative.

Moreover, the branch is subject to all laws applicable to its foreign parent company. As previously mentioned, it must be appointed at least one manager to represent the company in Morocco, who can be of any nationality. In addition to the branch director, which will manage the whole branch and report to the group, it is fundamental that the company has a financial team, constituted by a financial director and one local accountant with specific knowledge of taxation in Morocco, and one commercial and sales manager to coordinate all the activities. Besides that, the company should hire a Lawyer Society, which will handle all legal matters related to the entry into Morocco and the legal component associated with Laverde's business in the country.

Before opening a branch in Morocco, the foreign company parent must file two certified copies of its articles, which have to be translated into French and filled with the Commercial Court and each year the foreign company also has to furnish two certified true copies of its accounts. Generally, it takes 8 weeks to set up the company in Morocco, 4 weeks to open company bank account, and the recommended corporate bank account is the BKAM.

Furthermore, contrary to the strategy adopted by the company over the years, it intends to produce, package and label its products in Portugal, that is use the domestic production and sell them in Morocco by developing a Laverde's own brand. Considering that Laverde already develops labelling and packaging services, this will not be an added cost to the company, which will only have to create a brand image for its products with French label to be appropriate for selling in Morocco.

5.2. Location

Laverde intends to continue to manufacture its products in Portugal. Indeed, one of the main reasons for the internationalization to Morocco is the need to dispose of the excess production manufactured due to the productive capacity of the new factory. For this reason, setting up a branch in Morocco will require the company to have not only a registered office, but also a warehouse.

The city of Kénitra is strategically located for several reasons: it is located about 50km from Rabat, the political capital of Morocco; about 140km from Casablanca, the country's economic capital; the rental of establishments has lower prices than in big cities; has a railway station (Kénitra-Ville); has been reorganized and modernised over the years, both in terms of infrastructure and access roads; has a high-speed rail line to Tangier, Rabat and Casablanca; has a port and a free trade zone (Zone Franche d'Exportation de Kénitra or Atlantic Free Zone), with over 345 hectares of total area, which is considered to be the largest FTZ in Africa.

Regarding the office rental, it will cost approximately 5,000 MAD per month and the warehouse will be around 50,000 MAD per month. Additionally, Laverde will have to rent an apartment for the Portuguese employees. According to a report elaborate by Arkadia, a Moroccan real estate agency, the average price per month for a T2 apartment in Kénitra is 7,465 MAD per m^2. For this reason, the rental of this apartment will have a monthly cost of approximately 8,500 MAD, including electricity, gas and water expenses.

5.3. Distribution channels and marketing strategy

A distribution channel is a chain of businesses or intermediaries through which a good or service passes until it reaches the final buyer or the end consumer. Companies can develop various distribution strategies or channel strategies for their products and services, based on a variety of factors and potential steps in the distribution process or intermediaries. Distribution channels can include wholesalers, retailers, distributors and even the internet.

As E-commerce currently has a significant weight in cosmetics sales in the country, the company should take advantage of it. In fact, online stores such as manufacturer-owned online portals and various consumer product websites play a significant role in the market. This mode of sales has gained attention of consumers over the past few years and the online websites and portals also have an important role in analysing consumer buying patterns and preferences, making them vital for market players. In addition, selling a product in a store has a 40% higher cost per product for the company when comparing it to selling through E-commerce. This happen due to a number of factors, such as the rental or purchase of physical spaces and the salaries of employees.

Regarding the cosmetics market specifically, it has been found worldwide that companies are increasingly adopting strategies in which this sales channel is adopted, since it is the most advantageous, both in terms of cost reduction and because in this way the products are available to everyone and in a wide area. There are many successful examples of this distribution channel strategy, such as Aromas Perfumerías and

Perfumes&Companhia, who sell their products through E-commerce with a discount, in order to increase sales in this sales channel. In addition to the many advantages and strengths that E-commerce represents as a distribution channel, it is also one of the most favourable marketing strategies that companies can adopt.

Thus Laverde's main sales channel in Morocco should be the E-commerce and Laverde will have a 15% discount on the price of the products sold through these channels. In addition, it should be noted that to the price of the product will be add the shipping costs paid by customers directly to distribution companies, which will be free for purchases over MAD 300. Actually, the company should create a website with information about its history, its results over the years, with a catalogue of its product range and an online store. The company may include the expenses with the website in the Portugal 2020 project, as it is one of the expenses supported by the program. In addition, Laverde can sell its products in *Jumia*[4], which is one of Africa's most significant E-commerce systems and has significantly contributed toward boosting online cosmetics sales in Morocco. *Jumia*'s mission is to build a digital Africa, connecting Africans with each other, bringing consumer goods and services to all. For this reason, this distribution channel would facilitate one of Laverde's goals with its internationalization to Morocco. In fact, it makes possible the distribution of its products throughout the African continent, with the minimum costs associated. *Jumia* establishes E-commerce operations in 14 countries, it has 1.2 billion consumers and 17 million of SMEs to serve across Africa. Still with regard to E-commerce, Laverde should take advantage of the great potential and visibility that social networks currently have in Morocco, through the creation of brand accounts (*instagram, facebook*) in which it can present its variety of products. Actually, this is also a very advantageous form of marketing for the company, since it involves no costs and makes the brand visible to a large number of people.

Moreover, distributors also play a vital role in the cosmetics industry value chain. Laverde intends to do outsourcing and subcontract a specialized company in the distribution of cosmetic products in the country. Establish a mode of entry with a partnership with a distribution company will allow the reduction of associated costs and to share the responsibilities of the business. Actually, this strategy involves less risk and investment. Bewell is a potential business partner, as it is a Moroccan company that works in the distribution of cosmetic products in the city of Casablanca and expressed a strong

[4] Visit Jumia platform in Morocco in www.jumia.ma

interest in establishing a partnership. Actually, the company has a vast network of contacts for distribution throughout the country and has the necessary know-how. Considering this partnership between the companies, should be made a contract defining the margin to which distributors would be entitled.

In addition, the company may choose to participate in distinguished exhibitions of cosmetic products, which is also one of the expenses covered by the Portugal 2020 program. In fact, the participation in fairs and exhibitions is not only a distribution channel, but is also a fundamental method to intensify the marketing of the company and to build important relationships with partners and customers. Over the last few years, there have been three editions of CBHExpo in Morocco, which involves the exhibition, conferences and B2B meetings in one venue. In fact, Morocco CBHExpo host companies representing the entire cosmetics and hygiene supply chain. The exhibition takes place in the OFEC, in Casablanca and in 2017 attracted over 86 exhibitors and 6,270 visitors. It is a very important exhibit as it facilitates the source of new products, drive sales and makes possible to meet new contacts. In addition, exhibiting at CBHExpo allows the company to meet more qualified buyers, build network with leading suppliers, service providers, new distributors, agents and industry professionals in North Africa, and expand its business into new markets. Finally, attendees have the possibility to explore prime business potential, discover new business solutions to implement to its current processes, experience live demonstrations of latest technologies, attend free seminars and workshops highlighting new innovative trends, negotiate new working connections and get updated market information whilst taking in the global perspective on emerging trends.[5]

5.4. Segmentation and target

Laverde stands for equity and the brand does not have an objective target, since it argues that all women and men of any age can use cosmetics. In fact, in terms of age there is no limit and this is visible as the brand has several specific product ranges to use throughout the different stages of our life. In terms of social class, although the prices of organic and natural cosmetics are higher than other types of cosmetics, the prices of Laverde products will be appropriate to the reality of the country and will be in accordance with the national average. For this reason, the brand is intended to all social

[5] Visit the website for more information regarding the exhibition and to book a stand. (http://www.cbhexpo.com)

classes. The geographic targeting does not apply to Laverde either, as the brand will invest in E-commerce with deliveries all over the country.

6. Financial Indicators and viability analysis

The purpose of this chapter is to study the economic feasibility of Laverde's internationalization project for Morocco and it is intended to conclude on the overall viability of the project. In fact, it presents the financial analysis and the financial statements based on the analysis that were previously elaborated and on some assumptions that are detailed further on.

The internationalization project construction began on January 2019 and the implementation of the project in Morocco will start in January 2020, which would be a year of investment. In addition, Laverde's investment and revenue analysis will be carried out over a 10-year period that is starting in 2020 and ending in 2029. The analysis is performed at 10 years, which is the time required to get a business fully operational in a country and to reach business maturity.

6.1.Main assumptions

The taxes are important as it influences the revenues and the costs associated with the implementation of the branch in Morocco. As previously mentioned, Moroccan sourced income of Moroccan branches of foreign companies is subject to income tax at the ordinary corporate rate of tax. The taxable income is calculated as if the branch was a separate entity from the foreign company. In fact, a 15% branch remittance tax is imposed on profits remitted to the head office.

Goods imported into Morocco are also subject to VAT, which is currently 20% and there is a para-fiscal tax of 0.25% applied to them. Finally, the import tax levy is imposed on imported products at a fixed rate of 15% and it will have an influence on the CAPEX as assets are imported from Portugal, since the production will be fully carried out at the company's current factory. The corporate tax is 45% for branches and will have an impact on the net result of the company. Actually, there is an exemption of corporate tax for the first five years of activity.

As were mentioned before, the CM is MAD 1,500 MAD or 0.5% of the annual turnover and it is not payable by companies during their first thirty-six months of operation.

The inflation rate will have an impact on both the revenue and costs. Morocco's annual inflation rate rose to 0.8% in August 2019, its highest level since December 2018, from 0.3% in the previous month. In fact, the inflation rate in Morocco averaged 1.4% from 2008 until 2019, reaching an all-time high of 5.2% in May 2008. For further details regarding inflation rate evolution in the last year, please refer to "Appendix 10: Inflation Rate in Morocco". Since constant oscillations have been observed, it is difficult to make a concrete forecast about it. After some analysis, was decided to consider not a constant inflation throughout the entire business plan of the internationalization project, but to have a variable inflation. Actually, the Morocco inflation rate is projected to trend around 1.3% in 2020, according to econometric models and for this reason, as shown in the following table, we will consider an inflation of 1.4% for 2021 and 2022, then for the following two years, we will assume a rate of 1.5%, and for the last five years of project, we will assume an inflation rate of 2%.

2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
0%	0%	1.4%	1.4%	1.5%	1.5%	2%	2%	2%	2%	2%

Figure 5- Inflaction assumption for the project
(Source: Author's elaboration)

Since some assets will be imported from Portugal and such will have a value in euro, it is fundamental to consider the exchange rate. Although, in a business plan it does not make sense to use the rate of the day as it fluctuates every day and for this reason it is more logical to take the forecasted rate as of the beginning of the activities of the company in Morocco. According to the Wallet Investor, the exchange rate forecast for January 2020 is 10.6103 MAD for €1.[6]

6.2. Laverde CAPEX

In order to generate revenue, it is fundamental to determine the CAPEX connected to it, in fact the profit must cover the investment as soon as possible or in the shortest possible time. The CAPEX is the amount of money used by a company to acquire or

[6] https://walletinvestor.com/forex-forecast/eur-mad-prediction

making improvements of physical assets, to maintain the production of a product or service or to operate a business or a particular system.

This type of investment is often used when a company wants to increase or expand its business, such as Laverde intends to do. The company must take into account the investment in vehicles, equipment for offices, phones and computers for the employees. Including in the CAPEX classification are the expenses associated with a modification, expansion and improvement, innovation of facilities or processes of the company. This investment is usually made in tangible fixed assets, however any financial resource employed in the acquisition of intangible assets that is non-physical assets, which will contribute to the generation of profit in more than one fiscal year, is also a typical CAPEX expense. For this reason, the expenses with the creation of Laverde's website and subscription of the accounting software (Primavera), should be integrated in the CAPEX analysis.

To develop their activities, employees need to have cars and therefore it is important to consider **vehicle CAPEX**. Long-term lease contracts avoid the payment of significant amounts for repair and permit more flexibility, however in Morocco these contracts are not established with recent companies in the market. In total, Laverde will need 2 cars to operate in Morocco: one car for the branch director and one car for the sales director, due to the need to meet with clients, potential customers and distributers. In fact, for both directors a small car is sufficient and would cost 200,000 MAD per car. Thus, the company will invest 400,000 MAD in cars during the first year of activity. The fixed assets are normally depreciated according to their economic life duration according to the provision of accounting regulation. The tax regulation has provided indicative depreciation rates through administrative guidelines, applicable when the company activity or the asset to be depreciated is specific or particular. Regarding vehicles, the depreciation rate is commonly between 20 and 25%, for this reason we will consider that vehicles are depreciated over 5 years (depreciation rate of 20%) and the company will have to pay the replacement of the cars 5 years after the acquisition. Consequently, the depreciation will be 80,000 MAD during each year, for the first 5 years. Considering an inflation tax rate of 2%, the company will have to pay 441,632 MAD in year 6. Finally, the depreciation will amount 88,326 MAD for the following years. Please refer to "Appendix 11: Vehicle investment and depreciation".

Regarding the **technology CAPEX**, Laverde will have to do some investment. Actually, the company will need 4 laptops for each employee. According to the research done, each laptop will cost 3,800 MAD and thus will be made an investment of 15,200 MAD in laptops. Such as vehicles, laptops are replaced after 5 years and must be depreciated over 5 years, which means 3,040 MAD per year for the first 5 years. Thus, in the sixth year of operation in Morocco, when replacing laptops it is fundamental to take into account the effect of inflation, so it would be made an investment of 16,782 MAD. In addition, Laverde will need 4 mobile phones for the employees and each phone would cost 1,299 MAD, so the total investment in the first year would be 5,196 MAD. The replacement and depreciation rule is the same that applies to laptops and consequently the depreciation over the first 5 years would be 1,039 MAD per year. At the end of 5 years, the company will replace the phones and considering inflation, it will be made an investment of 5,737 MAD.

Finally, Laverde will have **office and warehouse CAPEX**, since it has to invest in some office equipment, such as a scanner printer, which will be replaced after 5 years. In fact, in the first year it will cost 1,100 MAD and in the fifth year, considering inflation, it would cost 1,214 MAD. In turn, the annual depreciation for the first 5 years will be 220 MAD. The company will have other CAPEX, such as other equipment for the office and equipment for the warehouse. Taking into account the office, will be required office furniture, especially office racking, 4 tables and 4 chairs, for each employee, and this investment will have a cost of 32,568 MAD. Regarding the equipment that would be necessary for such a warehouse, stands out a forklift for 100,000 MAD and 6 warehouse racking of 2.5x2.5x1 meters, with 6 levels and which supports 250kg per each level, for a total of 65,709 MAD. The total investment would be 198,277 MAD and we consider that the equipment would last for the 10 years of the project analysis and would consequently be depreciated over the 10 years, corresponding to an annual depreciation of 19,827 MAD. Please consider the "Appendix 12: Technology, office and warehouse investment and depreciation".

Regarding the **intangible CAPEX**, Laverde will outsource the creation of a website, since as mentioned before the E-commerce has a significant weight in the sales of the cosmetics market in Morocco. Thus, after analysing some budgets, it was concluded that building a website with an online store will cost 32,074 MAD and will be depreciated during the 10 years analysed, corresponding to 3,207 MAD per year.

For the financial team to perform their tasks, it is fundamental to have an ERP, which is a process used by companies to manage and integrate the important parts of their businesses. There are many ERP software applications and since in Portugal the company works with Primavera BSS, in Morocco the ERP adopted will be the same. This investment would cost 26,434 MAD, for both member of the financial team. It will be depreciated over the 10 years analysed, so 2,643 MAD per year. In fact, the ERP software applications are important to companies, since they help them to implement resource planning by integrating all of the processes needed to run their companies with a single system. In this particular case, it will be important as it will link Primavera BSS and Laverde's website in terms of inventory and billing.

6.3.Revenue Forecast

Laverde produces various types of cosmetics, which are distributed over a wide range of prices. In fact, to evaluate the success of an investment project it is fundamental to be able to price the assets and to estimate the revenues that the company can generate through the sale of its products. However, it is always difficult to price assets when a company is entering a new market, as it does not know the surroundings in detail. For this reason, it is essential that the company be aware of the current prices, so that it can adjust its prices to the actual reality of the country. Besides that, the sales price of Laverde products should consider the ex-factory cost, the freight forwarder costs to transport products from the factory in Portugal to Morocco, customs duties and must include a margin on product costs, for the company to make a profit. Generally, the profit margin of cosmetic companies is around 70 to 80%.

As Laverde is not currently operating in any similar market, we made a benchmark of the competitors' prices in the Moroccan market, to be sure that the company will not over or underestimate the expected revenue. In order to have a more concrete notion, were made a set of data collection and an analysis of the prices of various brands present in the market and was considered the average value for each type of cosmetics products. Although within each type of product there are several ranges with different characteristics and prices, it will be assumed that the price applies to all, in order to facilitate the calculation of sales forecast and revenue obtained. Accordingly, the average prices of natural and organic cosmetics resulting from the market analysis in Morocco are shown in the table below.

Product	Price (MAD)
Toothpaste (100 g)	50
Facial cream (100 g)	70
Facial serum (30 g)	85
Bath salts (200 g)	50
Shampoo (200 ml)	65
Shampoo (500 ml)	140
Hair mask (200 ml)	70
Hair mask (500 ml)	155
Hair conditioner (200 ml)	65
Hair conditioner (500 ml)	145
Sunscreen (200 ml)	135
Hand cream (50 ml)	35
Liquid soap (250 ml)	40
Body lotion (200 ml)	65
Body lotion (500 ml)	145
Body oils (200 ml)	75
Shower gel (200 ml)	65
Shower gel (500 ml)	150

Figure 6- Benchmark of cosmetic prices
(Source: Author's elaboration)

In addition to price its products accordingly to the market, it is also important to use similar packaging to what customers are used to buy, both in terms of label information and packaging capacity. For this reason, were taken into account the packaging capacities that are most common in Morocco, for each type of product. Moreover, the prices were analysed with Laverde to guarantee that the manufacturing costs did not exceed the price applied to each product. In fact, the price of each product should cover the costs involved in its production.

In order to calculate Laverde's revenues in Morocco is considered that E-commerce would represent 60% of the company's sales and sales made through the distributor will only represent 40%. As mentioned before, sales made through E-commerce will have a 15% discount per product. In fact, the first year of activity is a year of investment, since it is the beginning and the company needs time to find the first customers. The estimative of sales by product quantity was made taking into account the best-selling products according to the replies obtained from the survey and considering the weight that the products represent in the total volume of the Morocco cosmetics market, according to the study elaborated by Grand View Research. The total revenue for the first year is equal to 3,864,656 MAD. Please refer to the "Appendix 14: Detailed revenue for year 1".

For the remaining years of the project, it is considered a global growth that corresponds to the total growth that the company's sales would have between each year, considering the inflation effect. Please consider the "Appendix 15: Revenue growth over 10 years". Actually, this global growth reflects the fact that once a company is well known in the market it will have more clients and customers with a higher purchase value. Accordingly, to the estimation, we plan to have a small increase of 5% between year 1 and year 2, since these are years of investment and the company will be adapting to the reality of the Morocco cosmetics industry. Between year 2 and year 3, it is plan to increase the revenues by a rate of 15%, by 10% between year 3 and year 4 and after that, by 7.5% until 2026. After 2027 is considered a sales growth of 5%. In addition, the inflation rate is the same as previously presented. Although the economic and political factors are impossible to plan, Moroccan economy is estimated to be constantly growing in the following years, it is not predicted a crisis situation, especially in the cosmetics industry and according to forecasts for the coming years it is expected a growth in the industry in question. In order to observe Laverde's revenues throughout the project, please take into consideration the "Appendix 16: Projected revenues for the 10 years".

6.4.Laverde OPEX

The OPEX are all the expenses a company incurs through its normal business operations. In contrast to CAPEX, this expenses are completely tax-deductible in the same year that they occur. Since OPEX are what weighs most of a company's usual expenses, one of the typical responsibilities that management must content with is determining how to reduce it without decreasing the quality of products, the rate of production or without affecting a firm's ability to compete with its competitors.

All costs have been divided into different categories as shown below and for a period of 10 years the company is expected to spend 41,532,141 MAD to operate. To see the overall OPEX we need for this project, please refer to "Appendix 19: OPEX projection over 10 years".

6.4.1. Administrative costs

In the administration costs are included all the costs related with the employees, which include the wages, workers' cars and their expenses and the costs associated with mobile phone tariffs. In fact, the principal part of this costs is the employees' wages. As mentioned previously, Laverde in Morocco will have a team constituted by 4 people: branch director, financial director, local accountant and sales director. Considering that in Morocco there is not any specific law regarding the company formation, in terms of a required percentage of local employees, Laverde will hire a Portuguese Branch Director and a Portuguese Financial Director, in order to facilitate the report to the parent company. Additionally, the accountant and the sales director will be Moroccan, so that they have a more concrete knowledge of the reality of business in the country.

In order to have an idea about the local salaries of the employees, we discussed with a local accountant. Additionally, the salaries were set accordingly to a salary compensation study prepared by Michael Page in 2019. Taking into account the Moroccan Labour Law (Appendix 2), the government have the right to increase by decree all wages and salaries when is registered an increase of at least 5% in the cost of living. In fact, it will increase the minimum wage in the private sector by 10% over two years: 5% in July 2019 and further 5% rise in July 2020. For this reason, Laverde will take into account this rise and all wages will increase by 5% in July 2020. Moreover, still taking into consideration the Moroccan Labour Law, all workers shall be entitled, above their wages, to a sentient pay, that is a bonus of 5% of the salary after 2 years (2022) of service and 10% after 5 years (2025).

In order to attract and to have motivated employees, Laverde will have an attractive salary policy. The initial monthly remuneration of the Branch Director will be 40,000 MAD, for the Financial Director will be 32,000 MAD, 25,000 MAD for the Accountant and, finally, for the Sales Director will be 27,000. Such as in Portugal, the salaries are paid annually at 14 months, so in 2020 workers will receive 7 months according to the initial salary and 7 months after the 5% increase. The salaries will take into account the inflation previously defined and throughout the project are going to be as followed:

Technical staff	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Branch director	574 000	596 232	634 808	613 648	622 853	698 841	648 016	660 976	674 196	687 680
Financial director	459 200	476 986	507 847	490 918	498 282	559 073	518 413	528 781	539 357	550 144
Accountant	358 750	372 645	396 755	383 530	389 283	436 775	405 010	413 110	421 372	429 800
Sales director	387 450	402 457	428 496	414 212	420 426	471 717	437 411	446 159	455 082	464 184
Total (MAD)	**1 779 400**	**1 848 319**	**1 967 905**	**1 902 309**	**1 930 843**	**2 166 406**	**2 008 849**	**2 049 026**	**2 090 007**	**2 131 807**

Figure 7- Salary table per year (MAD)
(Source: Author's elaboration)

Furthermore, the vehicle costs enter in this category as all vehicles are intended for employees' usage and it includes insurance, maintenance and fuel. In fact, the cost of the registration of the cars is already considered in the vehicle CAPEX. Regarding the insurance, as these cars are new, during the first 3 years will be made an insurance contract against all risks, which according to the research done will have a cost of 7,000 MAD for the first year and for the following years will be considered the effect of inflation. After these three years, the insurance contract will be only against third parties, which currently represents a cost of 3,000 MAD per year and will be calculated from 2023 taking into account the respective inflation for each year. Taking into account the maintenance costs of the cars, we consider that it represents 5% of the price of the car and it will increase over the years according to inflation. Finally, the fuel consumption has been estimated according to the actual price of diesel in Morocco that is currently 9.91 MAD (Total Maroc, October 2019) and the 2 employees with car will have a card with 2,000 MAD available for fuel per month and one card with 400 MAD for tolls per month. Overall, in year 1, the cost related with vehicles would be 91,600 MAD. In order to observe the tables of vehicle costs per year, please consider the "Appendix 17: Detail of the vehicle cost".

In addition, we considered the plans for the mobile phones and one plan would cost 180 MAD per month. Since the company will purchase 4 mobile phones, in the first year it would cost 8,640 MAD.

6.4.2. Physical space costs

Subsequently, it has to be considered the rent of the physical spaces, such as the office, the warehouse and the house for the two Portuguese employees. As previously mentioned, according to our local contact, the office with 100 m^2 would cost 5,000 MAD per month, the warehouse with 350m^2 would cost 50,000 MAD per month and the two bedroom apartment would have a monthly cost of 8,500 MAD, which include electricity and water costs. Thus, it would correspond respectively to an annual cost of 60,000 MAD, 600,000 MAD and 102,000 MAD in the first year.

The internet connection costs for the office and for the house are also a part of the OPEX. According to *Maroc Telecom,* the cost of a month of an internet package designed especially for companies is 399 MAD, which represents a cost of 9,576 MAD in the first year, since the company will need 2 packages of internet, one for the office and another one for the house. In the following years the cost will increase according to inflation.

6.4.3. Sales costs

Regarding sales, it is important to consider the bad debt, in order to predict possible situations of customers who do not pay, either due to a divergence on certain terms of the contract or because they are going bankrupt. Even if these situations are sporadic and are a minority of clients, it is important to consider this bad debt as a cost and it will be considered 1% of the net revenue. In fact, in the first year of project the bad debt will cost 38,647 MAD.

Additionally, as mentioned before, 40% of the Laverde's sales will be made through distribution companies. In fact, the distribution agreement will state that the distributing company is entitled to a revenue share of 30% of the net revenues, which are respectively made by the distributors. We will consider this revenue share as a cost, as it corresponds to a percentage of the revenue that the company will not actually receive. In the first year this cost will correspond to 509,625 MAD. In order to analyse the revenues, which result from sales through distributors over the period of 10 years, please refer to "Appendix 18: Revenue through distributors".

6.4.4. Business activity costs

Included in this category are the costs that are fundamental to ensure that the business activity proceeds naturally. Actually, Laverde will hire a Lawyer Society to be responsible for the legal affairs of the company and the covenant represents an OPEX cost. The society will provide a range of legal services and personalized advice, through a covenant agreement with a monthly value of 4,000 MAD, which will include 3 monthly legal consultations. It would represent a cost of 48,000 MAD in the first year of project. Furthermore, audit fees must be considered, since Laverde must have an annual audit to validate the veracity and accuracy of the accounts. Taking into account that the audit fee varies a lot according to the contracts established with the responsible entities, according to the local accountant with whom we discuss this issue, the audit fees will represent 1.5% of the net revenue. In the first year of activity, this would cost 57,970 MAD.

Although this is a minor cost, it is important to consider the annual cost with the negative certificate, which is the first step when setting up a company in Morocco (Appendix 6). In the first year of activity it would cost 1,750 MAD and will follow the inflation.

Laverde will hire a freight forwarder who will be in charge of transporting the goods from the factory in Coruche to the warehouse in Kénitra and the transport company is also responsible for all customs costs. After an analysis of the different transport options, it was considered that the least expensive solution for transporting the goods would be the maritime transportation, by a route between the port of Sines and the port of Casablanca. In order to facilitate the entry of products into Morocco it was considered safer choice to contract a Moroccan freight forwarder. For this reason, was carried out a budget simulation of *Transporteur Maroc*, taking into account the expected quantity of products sold in the first year of activity.

There are several types of marine containers, but the budget has been prepared taking into account 40'x8'x8'6 containers, which have a maximum load capacity of 32,500 Kg. The freight forwarder may charge the transport per m^3 or per kg, whichever is greater. Although, when the total weight of the shipment exceeds 1,000 Kg, the cost is calculated based on the weight. Taking into consideration the expected sales for the first year, the total weight of the products is 13,450 Kg.

According to the budget provided to us, the Dossier, which includes the bureaucracy file and documents involved in the transportation has a cost of 5,000 MAD, while container transport costs 20,000 MAD and finally, the transport between Casablanca and Kénitra costs 5,000 MAD. It is assumed that the company will have to support the transportation costs described every year, including in "year 0". In fact, although quantities sold increase over the years of project, the total cost per year does not vary due to quantity discounts provided and will only vary according to inflation. In total, in the first year the total costs value corresponds to 30,000 MAD.

Moreover, there are certain costs that may not have been considered, so in order to protect the company from these small cost increases and to cover the small forgetting, corporate overheads are included. In addition, as some of the costs presented before were obtained through an estimate of a budget, there may be an increase and the corporate overhead is also to cover this possible rise. These costs represent 3% of the net revenues and posteriorly, we apply the respective inflation effect for each year, since considering 3% of the net revenue until the end of the project, would represent a huge amount in the last years and this representative cost is just applied to cover a small portion of the spending that may not have been considered. In the first year of activity this cost would correspond to 115,940 MAD.

6.4.5. Start-up costs

It is important to consider the start-up costs, which involve some investments need to be done before the contract starts that is all the one-off expenses that will not last throughout the whole project, but especially at the beginning.

In order to be able to launch the project on time and to have all the assets available to start the company activity on time, the Branch Director and the Financial Director needs to be in Morocco 2 months before the project launch, in order to have time to evaluate and to adapt to the industry environment. In addition, the two local employees should meet with the team, to resolve some formalities that the business activity requires, especially with regard to the importation of the products. Thus, we consider the travel expenses of the two Portuguese employees to Morocco, 2 months of salary of the 4 workers, as well as 2 months of rent of the respective physical spaces and the cost with the internet connection. In total, it would cost 386,596 MAD in "year 0".

Initially, it is essential to consider the costs of setting up the company in Morocco, in addition to the negative certificate cost already consider after the first year of activity, which represents an annual cost. This costs will occur in the "year 0", so that the company can start its activity early in 2020. The costs of setting up the branch were already calculated in the Appendix 2 and correspond to 4,020 MAD. In addition, with a view to beginning to resolve the bureaucracies inherent to the company's constitution process, we will include 2 months of the covenant cost of the Lawyer Society. In total, the constitution costs and the covenant cost would cost 12,020 MAD.

To ensure consumer safety and the quality of cosmetics and personal care products, the *Ministère de la Santé* established a new registration procedure on 23 October 2013. This procedure is based on the European regulation 1223/2009 and concerns to companies that manufacture or import cosmetic products. Thus, when Laverde cosmetics enter in Morocco are subjected to a set of chemical analyses. Since the cost of these analyses depends on the variety of products, it was discussed with the local accountant and was set a cost of 50,000 MAD, which should be sufficient to cover these expenses.

Currently the cosmetic products must be registered in a product dossier before being placed on the market in Morocco. According to Circular No. 48/20, published on 17 August 2012, by the *Ministère de la Santé*, manufacturers or importers of cosmetic products must now file a registration application with the Ministry of Medicine and Pharmacy. It was made an estimation with a local accountant and it was concluded that this investment will cost 20,000 MAD.

As mentioned before, in "year 0" we will also consider freight costs, in order to ensure that the company will always has stock available in the warehouse. In fact, at an early stage it is critical to captivate customers and it is important to have samples available to present Laverde's products.

Finally, taking into account the corporate overhead, we will consider 50% of the amount we have in year 1, since this is a period when the team will have the opportunity to understand the business environment of the country and for this reason some costs that were not considered or planned may arise. It corresponds to 52,253 MAD in "year 0".

As previously mentioned, to observe the overall OPEX the company will need for this project, please refer to "Appendix 19: OPEX projection over 10 years".

6.5. Internationalization project financing

Once the costs involved in setting up Laverde's branch in Morocco and the investment required to establish its activity in the country have been identified, the next step is to define how the company will finance this internationalization project. In fact, the source of financing is paramount, since it can directly influence the key indicators of a project.

In Morocco banks do not accept to finance newly established foreign companies through bank loans and for this reason, this option will not be taken into account. However, Laverde has financial capacity and enough treasury funds to finance the internationalization project through its own equity. In addition, assuming that the project application for the Portugal 2020 is accepted, the company can be funded through these incentives. In this case, as previously mentioned, Laverde will benefit from a 40% rate incentive, with a maximum incentive limit of €500,000. This incentive is at lost fund, meaning that the company does not return the incentive received.

6.6. P&L projections

The P&L analysis is a financial statement that summarizes the revenues, costs and expenses incurred during a specified period. These projections provide information about a company's ability or inability to generate profit by increasing revenue, reducing costs or both. Once revenues, costs and depreciation have been calculated, it is necessary to compute and evaluate certain indicators. Initially, we should consider the GM, which is the sales revenue a company retains after incurring the direct costs associated with producing the goods it sells. In fact, Laverde's GM corresponds to the total revenue minus the revenue share paid to distributor, which as mentioned above corresponds to 30% of sales made through this channel. Considering that sales made through distributors correspond to 40% of the total revenue, Laverde has only a margin of 70% of these revenue. Accordingly, Laverde's GM is 88%, as it concerns to 28% of revenues from distributors and 60% of sales through E-commerce, as revenues will be entirely earmarked for the company. This indicator represents a positive projection, since the higher the gross margin, the more capital a company retains on each MAD of sales, which it can then use to cover other costs. Actually, in the first year the GM corresponds to 3,400,898 MAD and 54,241,401 MAD over the duration of the project analysis. To see the GM detail over the 10 years, please refers to "Appendix 20: P&L projections over 10 years".

Subsequently, the OM measures how much profit a company makes on a MAD of sales and it is fundamental for the group to get a first idea about the viability of a project. It corresponds to the GM minus all the OPEX. Most of the costs involved in the project are fixed and there is only a small percentage of variable costs, which means that the company has a small degree of flexibility in cost reduction. Generally in the early years of project, companies have a very low OM or even negative. For this project the margin in the first year corresponds to -52,250 MAD and a total value over the 10 years of 12,709,260 MAD. The result obtained through the analysis of this indicator is very positive, as it means that the company will generate enough revenue to cover the inherent costs of the project. Subsequently, we calculated the OM as a percentage of the net revenue to evaluate the percentage available after the payment of all the OPEX. At the end of the 10 years of the project, the OM corresponds to 20.6%, which is a quite good rate. Through OM's analysis, the project appears to be viable and it is concluded that the company should invest.

Then we calculated the EBIT, which is obtained by subtracting the depreciation. This financial indicator reveals the results of the company before the calculation of financial interest and the calculation of the tax, corresponding to the operating result of the company. Over the 10 years, Laverde should be able to generate a total EBIT of 11,565,613MAD, which correspond to 18.8% of the net revenue. Once again, this is a positive sign, as it means that Laverde can cover all the depreciation thanks to the revenue it generates.

Finally, we calculated and analysed the NOPAT, which corresponds to the actual result (benefit or loss) that Laverde will have at the end of the year. It is equal to the EBIT minus the taxes. As previously mentioned, the corporate tax in Morocco is 45% for foreign branches and will have an impact on the net result of the company. In fact, there is an exemption of corporate tax for the first five years of activity. In addition, there is CM which corresponds to 1,500 MAD or 0.5% of the annual revenue and it is not payable by companies during their first thirty-six months of operation, which means that the company will only start to pay this fee from the fourth year of activity. Then, in the first four years of activity, the NOPAT will be equal to the EBIT. At the end of the 10 years of project Laverde will have paid a total of 5,638,546 MAD to the state. Therefore, the NOPAT over the project would be 5,927,097 MAD, which represents 9.6% of the net revenue.

Thus, by analysing the P&L indicators we conclude that the company should invest in Morocco, since all indicators have a positive projection and evaluation. However, in order to complete the viability analysis, it is essential to take into account certain financial factors that will be assessed in the following part.

6.7. Financial Indicators

In order to be able to calculate the financial indicators, such as the IRR and the NPV, the first step is to calculate the CF. To do so, we have to start from Net result and add depreciation, subtract the investment value (CAPEX) and finally deduct the WCV. Considering that all the parameters have already been computed before, we must compute the WCV.

To calculate the WC, we need to determine the terms of payment. Taking into account, the sales through E-commerce, the payment is made immediately upon purchase. However, considering sales that occur through distributors, Laverde will establish the terms of payment with a duration of 2 months, to give time to its clients to pay. Thus, every year the company would receive the last 2 months of revenue of the previous year that happen through distributors and it would not receive the last 2 months. This is important for calculating the CF, as it only includes the value that the company really has, which means that we should take into account how the clients are going to pay. For this reason, we should consider Laverde's share of the revenue generated by distributors and compute the revenue of 2 months of each year, since it would be delayed every year to the following year. Actually, this amount of the revenue should be taken as a negative figure, since it is a financial need for the company, corresponding to cash not yet received. The WC in the first year corresponds to -198,188 MAD and to see the detail WC over the 10 years of project and the WCV, please take into account the "Appendix 21: Working Capital Variation over 10 years".

After the WCV calculation, we can compute the CF for each year. Initially, we have to add up again the depreciation to the net result, since previously we subtracted this value. However, it does not have any cash impact since it is just re-evaluating the value of the assets, but the company is not actually paying the depreciation. In addition, we have to deduce the amount of investment because whether the depreciation is not a cash vision, the company has to pay for its investment. Finally, we deduced the WCV and we got a final CF for the first year of -928,718 MAD, meaning that Laverde needs this amount to finance the project as the revenue it generates is not sufficient in the first year. As can be observed from the CF projection in the "Appendix 22: CF over 10 years", it is positive starting in year 2.

In order to calculate the ratios, it is essential to determine the WACC, which define the hurdle rate for capital investment and project decisions and corresponds to the overall required return of the firm as a whole. It varies from one company to another as it is related with specific factors, such as its profitability, its operating history and financing credits. In fact, new companies have typically higher WACC values, as they face higher risks than established companies. WACC is a fundamental parameter to determine whether to invest or not and it is a very complex indicator to determine and should be calculated for every project, taking into account its specificities. Although, for this particular project we have decided to determine a WACC taking into account the country and not depending on the project. Considering that the risk is quite different with regard to investment in developed countries and in developing countries, this approach will allows this to be taken into account. To facilitate the estimation of the WACC, taking into consideration the country and the cosmetics industry, we used the WACC Expert.[7] In the specific case of Morocco, considering that it is a moderate risk country and taking into consideration the analysis previously elaborate, for this project Laverde defined a WACC of 12%. This is the rate we will consider to discount all the cash flows and posteriorly, to compute both the IRR and the NPV indicators, to be able to evaluate the viability of the project.

[7] http://www.waccexpert.com/

Financial Indicators:	**Indicators**
NPV @ 12% (in MAD)	**1 640 694**
IRR (%)	**31%**
Pay-out (years)	4,3
CAGR Revenue (%) Yr 1-10	9,3%
Total Revenues (in MAD)	61 637 956
Total Capex (in MAD)	**1 143 647**
incl. Vehicle CAPEX	841 632
incl. Technologie CAPEX	243 506
incl. Intangible CAPEX	58 508
Net revenues Year 5 (in MAD)	5 845 171
Avg. Net revenues (in MAD)	6 163 796
Avg. Op. Margin (%)	20,6%
Avg. EBIT (%)	18,8%

Figure 8 - Financial indicators of the project
(Source: Author's elaboration)

The NPV of the project is 1,640,694 MAD and the IRR corresponds to 31%. Considering the positive NPV we can conclude that Laverde can make profit through this project, even after paying the investment and the inherent costs. In addition, the positive NPV also means that the project will break-even, which happens when the costs are absorbed by the revenue and in this case occurs in the company's fifth year of activity. In fact, the payback period is slightly over 4 years and after this period all revenues generated by Laverde will represent profit. Regarding the IRR, it exceeds the WACC, which means that company should invest in the internationalization project.

6.8. Sensitivity analysis

The financial indicators previously analysed are positive and interesting, which encourages the company to invest in this project. However, it is fundamental to make a sensitive analysis, in order to be able to evaluate how NPV and IRR are affected when only one variable is changed. In fact, through this analysis we can identify the critical variables in the success or failure of an investment and thus we can identify which variables deserve the most attention and the areas with the highest forecasting risk. We will consider five scenarios: the base one, the optimist scenarios (120% and 110% of the value in the P&L) and the pessimist scenarios (90% and 80% of the value in the P&L). On one hand, it is fundamental to evaluate the sensitivity of the revenue, since it is the only thing that generates cash and it is what finances the activity of the company. On the other hand, it is very important to study the CAPEX, since it represents a huge upfront investment for the company. For this reason, the first analysis will be the Revenue/CAPEX sensitivity.

			Sensitivity to Revenue				
		Revenue	73 965 547	67 801 751	61 637 956	55 474 160	49 310 365
			Optimist Scenarios		Base Case	Pessimist Scenarios	
IRR (%)	CAPEX		120%	110%	100%	90%	80%
Sensitivity to Capex	(914 918)	80%	94%	60%	33%	11%	-8%
	(1 029 282)	90%	91%	58%	32%	10%	-8%
	(1 143 647)	100%	88%	56%	**31%**	10%	-9%
	(1 258 012)	110%	85%	54%	29%	9%	-9%
	(1 372 376)	120%	82%	52%	28%	8%	-10%

			Sensitivity to Revenue				
		Revenue	73 965 547	67 801 751	61 637 956	55 474 160	49 310 365
			Optimist Scenarios		Base Case	Pessimist Scenarios	
NPV (MAD)	CAPEX		120%	110%	100%	90%	80%
Sensitivity to Capex	(914 918)	80%	5 513 023	3 651 982	1 790 940	(70 101)	(1 931 142)
	(1 029 282)	90%	5 437 900	3 576 859	1 715 817	(145 224)	(2 006 265)
	(1 143 647)	100%	5 362 777	3 501 736	**1 640 694**	(220 347)	(2 081 388)
	(1 258 012)	110%	5 287 654	3 426 613	1 565 571	(295 470)	(2 156 511)
	(1 372 376)	120%	5 212 531	3 351 490	1 490 448	(370 593)	(2 231 634)

Figure 9- Revenue/CAPEX sensitivity
(Source: Author's elaboration)

Taking into account the sensitivity analysis in question, it is evident that with the expected revenue, even with an increase of 20% of the CAPEX, the project would still be viable. However, considering a constant CAPEX, the revenues can only deviate by 95% from the estimated value for the project to be considered viable. Thus, it can be concluded that the project is very sensitive to turnover changes and for this reason, the company cannot deviate the results that much from the estimates that has been made, so that the project remains profitable for Laverde.

Posteriorly, we will evaluate the Revenue/OPEX sensitivity, since the OPEX has a significant weight as it corresponds to the daily expenses that support the activity of the company.

			Optimist Scenarios		Base Case	Pessimist Scenarios	
IRR (%)	OPEX		120%	110%	100%	90%	80%
Sensitivity Opex	(33 225 713)	80%	137%	141%	95%	57%	27%
	(37 378 927)	90%	95%	91%	56%	29%	7%
	(41 532 141)	100%	64%	56%	**31%**	10%	-9%
	(45 685 356)	110%	56%	32%	12%	-5%	-23%
	(49 838 570)	120%	33%	15%	-2%	-18%	-25%

			Optimist Scenarios		Base Case	Pessimist Scenarios	
NPV (MAD)	OPEX		120%	110%	100%	90%	80%
Sensitivity Opex	(33 225 713)	80%	8 033 251	6 714 445	4 853 404	2 992 362	1 131 321
	(37 378 927)	90%	6 426 897	5 108 090	3 247 049	1 386 008	-475 034
	(41 532 141)	100%	4 820 542	3 501 736	**1 640 694**	-220 347	-2 081 388
	(45 685 356)	110%	3 756 422	1 895 381	34 340	-1 826 702	-3 687 743
	(49 838 570)	120%	2 150 067	289 026	-1 572 015	-3 433 056	-5 294 098

Figure 10 - Revenue/OPEX sensitivity
(Source: Author's elaboration)

According to the results presented, we can conclude that when the revenue is the predictable one the company can only increase its costs up to 110% to the project remain profitable. We can see that the OPEX is quite sensitive as even with the expected revenue, a 20% increase in OPEX makes the project no longer profitable. In fact, with an increase of 10% of the OPEX, considering a constant revenue, the IRR is at the WACC level. This is mainly because the OPEX is evidently the largest spending the company has during the project.

Conclusion

Since its foundation in 1993, Laverde has been a export-oriented company. Currently due to the construction of new infrastructures, there has been a significant increase in the company's productive capacity and this lead Laverde to decide that it should adopt an internationalization strategy to new markets. In this thesis was developed a business plan for a project in Morocco, through the creation of a branch. We saw that this country has a strategic location, since its geographical situation at the gates of Europe and for presenting itself as a gateway for Laverde to enter in the African cosmetics market. The country has agreements with numerous countries, the population is growing, it shows a significant GDP growth and the purchasing power is increasing significantly. In addition, there is a significant growth of the cosmetic market in the country and a growing concern of consumers with the use of natural and organic products. For these reasons, Morocco is considered a very attractive investment choice.

In order to evaluate the viability of the project, the overall costs involved were considered and it is expected that the project will generate revenues of 61,637,956 MAD over the 10 years analysed, taking into consideration that 60% of sales would be made through E-commerce and the remainder through contracts with local distributors. In addition, the total CAPEX of 1,143,647 MAD and the OPEX of 41,532,141 MAD would be totally covered by the revenues. Considering the analysis of P&L projections, the indicators present a positive forecast for the company and are in favour of investing in Morocco, since the GM corresponds to 88% of the revenue, which is moderately high for the cosmetics industry and the OM represents 20.6% of the revenue. Furthermore, the EBIT is 18.8% of the revenue and the net result represent 9.6% of the revenue. Regarding the financial indicators, it also give an optimistic overview, with a positive NPV of 1,640,694 MAD and a 31% IRR, above the WACC (12%). Through the sensitivity analysis it became evident that the most sensitive parameters are the revenue and the

OPEX and changes in this estimations might have a considerable impact on the efficiency of the business.

The main recommendations are that Laverde should create its own brand and focus on E-commerce, as it represents lower costs for the company. In addition, the company should establish a contract with a local distributor (such as Bewell, as previously suggested). At the moment the only question is to know if the cosmetics market in Morocco will receive this project as expected and foreseen in this thesis and with the same enthusiasm as Laverde has to implement the company in the country.

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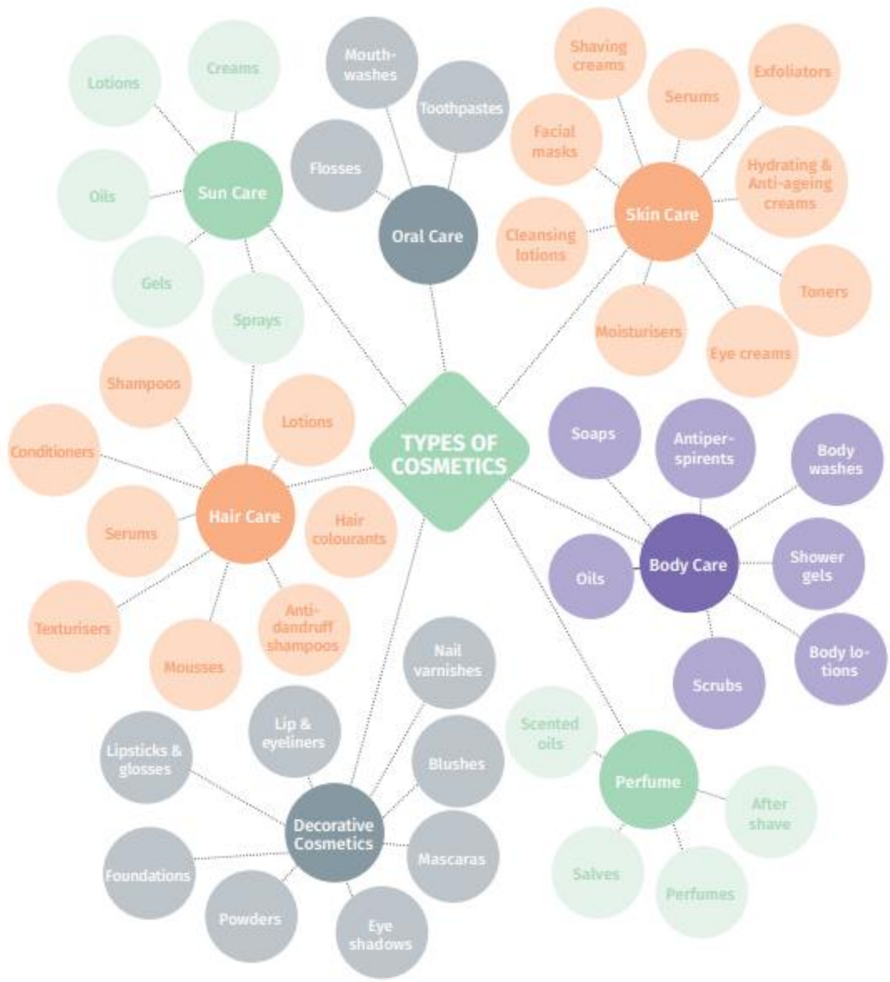
Appendixes

Appendix 1: Different types of cosmetics

The cosmetic industry is undoubtedly one of the largest industries in the world. Cosmetics and personal care products are applied to the human body, with the purposes of beautifying, cleaning, changing its appearance or promoting attractiveness. Extending from antiperspirants, fragrances, make-up and shampoos, to soaps, sunscreens and toothpastes, cosmetics and personal care products play an essential role in all stages of our daily life. The diagram below represents the seven categories of cosmetics and personal care products: oral care, skin care, sun care, hair care, decorative cosmetics, body care and perfumes.



Source: Cosmetics Europe, 2017

Appendix 2: Moroccan Labour Law

The employment contract binding the employer to each of his employees is governed by the Royal Decree dated August 13, 1913, which lays down a code of obligations and contracts. Parties (employer and employee) should always enter into an employment agreement, even though a written agreement is not mandatory for indefinite employment relationships. In fact, written contracts are only required for fixed-term and foreign employee contracts. The employment of foreign workers is a question with special procedures and employers must obtain foreign worker permits, which are authorised by the Ministry of Labour. In this case it is fundamental to take into account the article 516 of the Labour Code, which highlights that any employer that wish to hire a foreign employee must obtain an authorization from the governmental authority responsible for the employment and it is approve in the form of a visa affixed to the employment contract. The requirement in question is a public policy provision and based on this authorisation, employees must submit a request to obtain a residence card.

The employment relationships are governed by Dahir 1-03-194, of 11 September 2003 promulgating Law 65-99 on the Labour Code and by Decree 2-91-517, of 5 April 1993 adopted for the implementation of Dahir Law 1-03-16, of 23 March 1993, setting out encouragements and incentives for companies organising training courses on professional integration.

The Decree of 23 October 1948, sets out a model contract applicable to all industrial and commercial establishments. It delineates the reciprocal rights and duties of employer and employees. In addition, it regulates the classification of staff, probation period, hiring, contract cancellation by dismissal or resignation, holidays, discipline, sick leave or absence. On one hand, an employer can make arrangements in his establishment by inserting an addendum, which must be signed by both parties and it is subject to agreement with the Minister of Labour. On the other hand, the Moroccan legislation gives employees the right to organise themselves in unions for the defence of their professional rights and to strike in protection for their collective interest. However, the Inspectorate of Labour endeavours to settle difference of opinion and disputes by mediation. In case of individual disputes relating to the implementation of the work contract are regulated by local courts. Simultaneously, in the case that both parties reach agreement, arbitration may avoid recourse to strike action or legal action before the Tribunal of first instance.

The employment relationships are characterised by the superior-subordinate relationship between employers and their employees. According to Article 6 of the Labour Code, employees must pursue professional activity under the direction of one or more employers. In the case of independent contractors they are not bound by the Labour Code, since they are not considered employees. There is no legal condition for employees to be involved in the management of the company or to be represented on the board of directors. Though there is no legislation requiring the participation by labour in the profits of a business, numerous companies have implemented profit sharing plans.

In industrial and commercial institutions, working hours for employees of both sexes and all ages shall not exceed 8 hours a day or 48 hours a week. In case of extra hours, the salary should be raised by 25% when performed between 6:00am and 9:00pm and 50% from 9:00pm and 6:00am. These percentages increase to 50% and 100%, respectively when the overtime is performed on the employee's weekly rest day. Besides that, every employee is entitled to a weekly day of rest after six days of continuous and effective work, which shall be of a minimum duration of 24 consecutive hours for all the staff and to a number of statutory paid holidays. Under the article 231 of the Labour Code, for employees aged 18 and over, the right to paid holiday is calculated on the basis of a working day and a half for each month of service (18 days' paid holiday per full year of service) or for workers under the age of 18 are entitled to two days' paid holiday for each month of effective service (24 days' paid holiday per full year of service).[8] Length of service in an institution or with the same employer enables the employee to one day and a half or two days of additional holiday for a period of five years of service. It is important to refer that employees do not work on national holidays. Therefore, in addition to paid annual leave, employees benefit from the following non-working holidays: 1 January (New Year's Day), 11 January (commemorating the presentation of the independence manifesto), 1 May (Labour Day), *Eid al-Fitr*; 30 July (Throne Day), 14 August (*Oued ED-Dahab* Day), 20 August (Revolution Day), 21 August (National Youth Day), *Eid al-Adha*, *Awal Moharram* (Islamic New Year's Day), 6 November (Green March Day), 18 November (Independence Day) and 12 and 13 *Rabi-ul-Awwal* (birthday of the Islamic prophet).

[8] Workers under the age of 15 cannot be employed in any professional activity and under the age of 18 cannot be employed for an activity exceeding their capabilities.

The contract between both parties can be an agreement of limited duration or of unlimited duration, which can be completed at the will of any of the parties to the contract. The emerging trends in employment law include the limited role of labour inspectors during dismissal procedures, since they only need to be notified by the employer in question, according to the Article 62 of the Labour Code and the greater clarity, particularly in regard to severance pay calculations. Dismissal of personal may take place for a number of reasons, such as incapacity owing to age or insufficient aptitude, reduction of jobs in the particular branch or as a disciplinary measure owing to a serious offense. Actually, except in case of a serious offense, the permanent worker is entitled to notice, which varies according to his seniority in the firm and the nature of his work. Besides that, a dismissed worker shall have the right, after a year of service, to an allowance of dismissal or compensation, which is calculated according to a progressive system proportional to the length of his service with firm. The amount of this indemnity will be:

- First 5 years: 48 hours of the salary;
- Period going from the 6th to the 10th year: 72 hours of salary;
- Period going from 11th to the 15th: 96 hours of salary;
- From 15 years on: 120 hours of salary.

There are no legislated wage controls in Morocco other than the minimum wage, consequently wages and salaries shall be liberally negotiated between employers and employees, but it must be in accordance with the sector of activity. The article 356 of the Labour Code establishes that the national minimum wage is 3,000 MAD per month in public sector, approximately 2,570.86 MAD per month in private sector and 69.73 MAD per day for agricultural workers. Regarding wages, independently of the method of remuneration (job rates, piece rates or time rates), must be paid at least twice a month, at a maximum of sixteen days' interval. In its turn, salaries must be paid at least once a month. All workers shall be entitled, above their wage, to a sentient pay of 5% of the salary after 2 years of service, continuous or not, within the same institution or with the same employer, 10% after 5 years, 15% after 12 years and 20% after 20 years of service.

Separately from agreed pay increases, an indexing system allows the government to increase by decree all wages and salaries effectively paid when the Central Commission for Prices and Wages registers an increase of at least 5% in the cost of living. In April 2019, the Moroccan government, the three trade unions and the CGEM have signed an agreement to increase wages and social benefits in Morocco and it will be effective from 2019 to 2021. The agreement affects minimum wages, social protection payments, and trade union freedoms. The government will increase the minimum wage in the private sector (industry, services, trade and agricultural sector) by 10% over two years, with an increase of 5%, taking effect in July 2019 and a further 5% rise in July 2020.

The operation of health service is subject to inspection and the provision of medical services is compulsory in every industrial and commercial institutions employing more than 50 workers or the medical service is also imposed on institutions hiring less than 50 workers, when their activity is likely to cause an occupational illness. In fact, the medical service expenses are at the charge of the employers and they must provide the services of a doctor or alternatively, they may establish a joint service with other firms, supervised by a chairman. The Inspectorate of Labour ensures that the regulations are accomplished and firms must take into account standard safety regulations, since certain forms of work considered as dangerous are covered by special regulations. The occupational accidents happened as a result of work or during work or those that occur on the way to or from work. The employer is responsible to report the accident in 48 hours, to provide the victim with a daily indemnity during his temporary incapacity to fulfil his job. This indemnity corresponds to half of the salary during the 28 days that follow the accident and two thirds of it starting from the 29th day.

Regarding social security and benefits, the employer must register himself as well as his salaried employees and apprentices with the national fund for social security. CNSS pays industrial and commercial workers family allowances and daily allowances in cases of illness, accident or occupational diseases not covered by compensation, allowances in case of death, disability pensions, old-age pensions and survivors pensions. In case of long-term benefits, the contribution rate is 11.89%, 7.93% of which is taken charge of by the employer and 3.96% by the worker. For both short and long term benefits, the contribution is calculated on the basis of a salary not exceeding 6,000 MAD per month. Concerning professional training, there is a payroll tax, called professional training tax, which is obligatory on the gross monthly remuneration of employees and it is subject to social security contributions, at a rate of 1.6% of the basic salary paid by the employer. Regarding foreign workers coming to take up employment in Morocco, they participate on the same basis as Moroccan nationals.

Appendix 3: Taxation of companies

The corporate tax regime in Morocco is based upon territoriality. Moroccan corporations are subject to a unitary tax system and the corporate tax rate (IS) and they are taxed under a special tax regime, which covers branches of foreign corporations, civil companies, general and limited partnerships in which at least one partner is a corporate entity, limited liability companies, limited partnerships by shares, public institutions and other legal entities carrying out profit-oriented activities, associations and legally recognized organizations, coordination centers of non-resident companies, fund created by law or by agreement and joint ventures having business-oriented activity. Regarding general partnerships, limited partnerships and joint-ventures in which all parties are individuals, may elect to be taxed under the corporate tax regime. In the specific case of foreign corporations that have or are supposed to have a permanent establishment in Morocco, they are subject to taxation on income arising in Morocco. In fact, taxation of corporations is the same independent of ownership and Moroccan residency status applies if a foreign company is incorporated in Morocco or its place of effective management is in the country.

In fact, foreign corporations are liable on Moroccan-sourced income at the same rates as local companies, even when this is of an occasional nature and unless a preferential treatment is granted under foreign investment schemes. Net profits earned by foreign subsidiaries and establishments of Moroccan companies are not taxable until profits are actually repatriated and distributed to shareholders. The Budget Law of 2015 presented a tax benefit permitting companies founded between 1 January 2015 and 31 December 2019, with 5 employees or less, to be exempted from personal income tax on gross monthly salary income capped at 10,000 MAD.

In addition, there is a corporate tax, also called *patente*, which is levied on individuals and enterprises that regularly carry out business in Morocco. It consists of a tax on the rental value of business premises, which can be rented or owned and fixed assets. This fixed amount depend on the nature and size of the business and varies from 10 to 31%, as can be observed in the following table. There is an exemption for the first five years of activity and for businesses which commence or cease activities during the tax year, a *pro rata* reimbursements are granted.

Taxable income (MAD)		CIT rate (%)
From	To	
0	300,000	10
300,001	1,000,000	17.5
1,000,001	and above	31

Source: PwC – Worldwide tax summaries

Regarding the income tax, it is based on receipts and accruals from products delivered, services rendered and work carried out and accepted by customers. Income tax applies to income and profits of individuals and legal entities which have not opted to be subject to corporate tax. Interest, royalties, income and service fees are subject to corporate income tax at the rate of 36%. Capital gains are treated as noncurrent income and taxed at the normal corporate tax rate. In case of the dividends received by corporate shareholders from taxable entities incorporated in Morocco are not taxable. However, non-resident companies are exempt from capital gains derived from the sale of stocks listed on the Casablanca stock exchange, excluding the share of real estate entities.

Morocco exempts certain types of income from corporate taxation, such as the income derived from agriculture, which is exempt until the year 2020 and the income of companies set up in the Western Sahara. Moreover, there are specific tax incentives exempting some companies from corporate tax for specified periods and Moroccan companies can distribute tax free dividend of common – stock *pro rata* to all common-stock shareholders.

Expenses incurred for the purpose of the business are normally deductible, including wages, salaries and similar income, depreciation, income and profit from rent and representation expenses, income and profit from movable capital. Concerning the amount paid of raw materials and products, start-up expenses, donations and other general expenses equal to or exceeding 10,000 MAD, only 75% are deductible, excepting when the payment is made by a non-assignable crossed check, bank transfer or bill of exchange. Start-up expenses shall be capitalised and depreciated for tax purposes over a period of five years. Considering interest on loans granted by direct shareholders is deductible when the capital is totally paid and it is restricted to the share capital equity and the interest rate provided annually by the Ministry of Finance. In case of donations and charitable contributions made by companies, they are deductible only when granted to foundations and societies explicitly provided by law. When a contribution is made to the community enterprise the deduction is covered at 0.2% of the turnover.

Tax losses may be accepted for a period of four years from the end of the loss-making accounting period. Though, the percentage of a loss that relates to depreciation may be carried forward indeterminately. In case of bad debts that are absolutely non-recoverable, they are treated as deductible losses.

Regarding expenses incurred outside Morocco by foreign company having permanent activity in the country, it requires adequate justification and documentation before they may be deducted. Actually, losses may be carried forward and deducted from taxable profit for a period of four years. Nevertheless of the company's profits or losses, a minimum amount of corporate tax is payable by companies other than foreign companies - *cotisation minimale*. The CM is based on turnover, income from interest, subsidies, bonuses or donations received and is collected at a rate of 0.5% of the income or 1,500 MAD of the annual turnover. Companies are exempt from paying this fee during the first thirty-six months of operation.

Registration duties are due on all written or verbal agreements, such as property transfer of real estate, shares, rights, company set up, equity increase and goodwill transfer. In Morocco the registration fee is a fixed rate of 1% on the company set up and the capital increase. This rate is reduced to 0.25% for actions of partnership or capital increase of investment banks and companies, which the main purpose is stocks and shares management or application for other companies on joint account. Concerning the transfer of non-listed shares is subject to registration duties at the rate of 4% and the rate of 6% is applicable to the transfer of shares of real estate companies. In its turn, the applicable rate for the transfer of goodwill is 6%. Taking into consideration the subsidiaries of foreign companies set up in Morocco, they are treated as local companies, independently of their foreign parent-company for legal and taxation purposes. Expenses must be incurred in order to promote subsidiary's objectives and not those of its parent-company. The dividends paid to non-resident shareholders are subject to a 15% withholding tax and interest, royalties and service or management fees paid are subject to a 10% withholding tax. These rates may be reduced or waived under prevention of double taxation treaties.

Companies subject to corporate tax must pay a levy called National Solidarity Levy (PSN), which is evaluated in the same base chosen for the assessment of corporate tax and it is calculated by applying a 10% rate to the amount of the corporate tax. In case of a fully exempt company from corporate tax, PSN has to be paid in an amount of 25% to a theoretical corporate tax. This levy cannot be less than 1,500 MAD for a yearly turnover of less than 1,000,000 MAD and not less than 3,000 MAD for a turnover of more than 1,000,000 MAD.

The country introduced a tax of 15% on the proceeds from stocks and company’s shares and comparable income (TPT), distributed by companies based in Morocco and paying taxes on corporations. This tax is collected at the source and applies to capital interest, dividends, profit percentages, beneficiary/founder’s shares, profits made in Morocco by establishments whose home office is located abroad, as these profits are made available to such companies abroad, special allowances or payment of fees and other compensations allotted to member of the board of directors, excesses from winding up increased by reserves built up over at least ten years ago and amounts levied on profits to repay capital produced to stockholders or to buy over stocks.

The VAT – Taxe sur la Valeur Ajoutée (TVA) - is a non-cumulative tax on turnover, applied to industrial, commercial or artisanal operations, at each stage of the production and distribution cycle, or to the performance of professional services in Morocco and to imports. Consequently, suppliers of goods and services must add VAT to their net prices and all persons subject to VAT must take a declaration of existence within 30 days of the start of operations, in order to register for VAT purposes and usually VAT returns must be complete on a monthly basis. In the specific cases where the purchases is also liable for VAT, input VAT may be counterweight against output VAT.

The standard VAT rate is 20% and applies to all suppliers of goods and services, except those taxed at other rates or those who are exempt. There are a reduced rate of 7% applied to particular items, such pharmaceutical products and related raw materials, low cost passenger cars, water and electricity, a reduced rate of 10% for banking and credit operations, financial services, accommodation and catering, leasing and gas operations and a reduced rate of 14% applied to passenger and freight transport (excluding rail transport), hotel industries, electrical energy, building and construction activities. There are two exemptions from VAT. On one hand, there is an exemption with credit, equivalent to the zero tax concept and that can be tax deductible, which applies to exports, agricultural material and equipment, goods and services rendered to companies established in FTZs and fishing equipment. On the other hand, there is an exemption without credit and that are not tax deductible, which happened when the seller does not receive credit for input VAT paid and it is applied to basic foodstuffs, interest on government loans, international transport services and newspapers.

Corporate stocks, founder's shares and bonds issued by companies are free from both stamp duty and formalities. A notarial tax is imposed based on the capital stock, in the amount of 1% for stock up to 5,000 MAD, 0.5% from 5,000 MAD to 10,000 MAD and 0.2% for stock over 10,000 MAD.

The urban property tax is applied to owners of real estate on the rental value of the property and is also applied to owners of machines and appliances that are integral parts of the establishment producing goods or services. Generally, the value of urban property tax rate is 13.5% of the rental value, 3% corresponds to lots and 4% to structures and fittings, as well as to machines and appliances. The occupants of rented property are subject to a municipal tax, with a rate of 10.5% of the normal rental value of properties located within the urban areas and 6.5% of the normal rental value on the outskirts of cities, on peripheral zones of urban communities. In its turn, tax on interest is imposed on individual or corporate residents in respect of interest earned on bonds and other loan securities, fixed and current account deposits, loans and advances, and various loans conducted through banks of financial institutions.

Commonly all goods and services can be imported, however goods considered to have a negative impact on national production may require a license. Most imported products are subject to import duties, which varies between 2.5% and 10% for accessories, equipment, materials and spare parts. Though, some materials and products imported under the investment charter, using renewable energies and under customs economic systems are exempt from import duties. As already mentioned, commodities imported into Morocco are also subject to VAT and there is a para-fiscal tax (*Taxe Parafiscale à l'Importation*) of 0.25% applied to them. The Import Tax Levy (PFI) is imposed on imported products at a fixed rate of 15%, however it can be reduced or eliminated in some specific cases. In fact, pharmaceuticals or raw materials used in manufacturing of pharmaceuticals are subject of a rate of 12.5% and there are the exemption for import material subject to customs duties, enterprises which engage in research activities involving mineral substances, for fertilizer products, for certain antibiotic and medical products and for materials using renewable energies.

Appendix 4: Economic relations between Portugal and Morocco

aicep Portugal Global

Portugal: Estatísticas de Relacionamento Económico com Marrocos

Balança Comercial de Bens de Portugal com Marrocos

	2014	2015	2016	2017	2018	Var % 18/14[a]	2018 jan/mai	2019 jan/mai	Var % 19/18[b]
Exportações	587,2	679,1	711,8	730,3	692,0	4,5	317,8	314,4	-1,1
Importações	136,5	162,2	155,1	152,2	161,9	4,7	65,8	78,6	19,5
Saldo	450,7	517,0	556,8	578,1	530,1	--	252,0	235,8	--
Coef. Cob. %	430,2	418,8	459,0	479,9	427,4	--	482,8	399,9	--

Posição e Quota de Marrocos no Comércio Internacional Português de Bens

		2014	2015	2016	2017	2018	2019 jan/mai
Marrocos como cliente de Portugal	Posição	13	11	10	12	12	11
	% Export.	1,22	1,37	1,42	1,33	1,19	1,23
Marrocos como fornecedor de Portugal	Posição	40	37	37	43	44	39
	% Import.	0,23	0,27	0,25	0,22	0,22	0,23

Fonte: INE - Instituto Nacional de Estatística

Source: aicep Portugal Global and INE

Unit: € millions

Notes:

(a) Arithmetic average of annual growth rates for 2014-2018;

(b) Homologous rate of change 2018-2019;

(c) 2014 to 2017: definitive results;

(d) 2018 to 2019: preliminary results.

Appendixes 5: Environmental reform initiatives

Currently Morocco is defined as a "water-stressed" country, indeed its main problems and difficulties appear as a result of Morocco's dependency on water, its economy's vulnerability to climatic change, reservoir siltation and due to oil pollution of its coastal waters. Actually, at the moment the quality of water is decreasing, the rural areas are poorly served with water and water supplies are widely contaminated by raw sewage, as a result of a lack of adequate waste water treatment facilities. In addition, there are substantial losses in both drinking water systems in urban areas and in irrigation, which accounts for 85% of water use. Besides that, Morocco suffers from land degradation, soil erosion and desertification, caused by deforestation, destruction of vegetation, overgrazing and over-farming marginal areas.

With the intention of solve these environmental complications, for the last several decades Morocco has prioritized environmental reform and sustainable development and has made some progress to establish a national environmental action plan. In fact, the environmental protection is an issue that concerns to the Ministry for Territorial Development, Water and the Environment and within the Ministry there is a department responsible to draft environmental laws and regulations and to develop strategies for implementing national environmental plans. The laws that are currently in force in Morocco are:

- Law 2-84 on agricultural water users' associations;
- Dahir 1-95-154 (Law 10-95) setting forth a new water Law;
- Law 28-00 relating to waste management and disposal;
- Dahir 1-03-59 (Law 11-02) sets forth the general principals of the national environmental policy;
- Dahir 1-03-60 (Law 12-03) sets forth the rules and procedures of the EIA;
- Dahir 1-03-61 (Law 13-03) aims to combat air pollution;
- Law 99-12 on the national charter for the environment and sustainable development;
- Law 47-09 on energy efficiency;
- Decree 2-10-578 (Law 13-09), on renewable energy;
- Decree 57-09, creating the MASEN;
- Law 16-09, creating the Moroccan ADEREE.

In recent times, the country has begun to address this gap by being an integrate part of several international agreements and by reorganizing the process of environmental protection issues, for instance climate change, biodiversity, species in danger of extinction, marine life conservation, prohibition of nuclear test, ozone layer protection, protection of wetlands and protection of world cultural and natural heritage. In fact, in 2016 the Climate Change Performance Index ranked Morocco together with Belgium, Denmark and Sweden in the top ten most climatically conscious countries and number one in the developing world based on criteria including renewable energy development, efficiency, climate policy and CO2 emissions. In addition, Morocco has made substantial progress in the areas of recycling, conservation and sustainable development education.

Furthermore, Morocco is a party to a total of 119 international environmental treaties.

The government has developed some exemption from taxes and duties for persons and entities that promote or implement environmental protection.

Appendix 6: Steps to create a company

Setting up a business in Morocco has never been easier, in fact all it takes is a series of simple formalities.

- **Step 1: Negative Certificate (Certificat Négatif)**

The application of the negative certificate is the procedure that attests the uniqueness of the company name, in other this certificate is a document that confirms that the trade name applied for is not already used and can be used for registration in the Commercial Register. It is delivered by OMPIC, which is responsible for the protection of rights of the industrial and commercial property. The certificate has a cost of 1,750 MAD and is valid for a period of one year. After that period of one year, negative certificates withdrawn and not deposited for registration in the Commercial Register are cancelled and after a period of one month, negative certificates not withdrawn are cancelled.

- **Step 2: Establishment of statutes**

In this step the contractual provisions that define the rules applicable to certain legal situations are established. The concerned companies are all commercial companies, except natural persons and branches. The responsible entities are the legal offices, notaries, certified accounts, trustees, lawyers or legal advisors. Usually the associated cost correspond to legal office fees and port expenses of 20 MAD per sheet.

- **Step 3: Establishment of share allotment letters and transfer acts**

The share allotment letter is a document to be completed in case of participation in the capital of the company and it represents a promise of cash contribution. The concerned companies are commercial companies, especially LC, simplified joint stock company and private company limited by shares. The responsible entities are the same referred in the step 2 and the associated costs are also relate to legal office fees. Regarding the required documents, are allotment letter signed par the underwriters.

- **Step 4: Blocking the amount of paid-up capital**

This procedure certifies the capital blockage received by the company and the deposit shall be made within 8 days of receipt of the funds by the company. A certificate of the blocking of the paid-up capital is delivered by the bank. The required documents for LC, simplified joint stock company are statutes, negative certificate, identify documents and share allotment letters. In the case of LLC the required documents are all previous, except share allotment letter.

- **Step 5: Establishment of the declaration of share allotment and the remittance**

This step concerns ballots drawn up by the notary and the certificate of blocking the paid-up capital from the bank. It applies to LC, simplified joint stock company and private company limited by shares and the inherent costs are the notary or fiduciary fees.

- **Step 6: Deposits of acts of company creation and formalities of registration**

It aims to compose the creation files by the Regional Center of Investment by the representatives of the different administrations involved in the creation. The concerned entities are the Regional Directorate of Taxes, represented within the Regional Center of Investment. This step is applicable to LC, LLC, general partnership, limited partnership and Private Company limited by shares. The costs for the bylaws are 1% of the capital of the company or 1,000 MAD, when the capital does not exceed 500,000 MAD, plus 200 MAD for the lease agreement and a fixed amount of 200 MAD for the registration of the company's governing bodies.

The required documents are the statutes, lease contract or acquisition act and the minutes of the appointment of the manager or the appointment of the chairman, auditors or administrators.

- **Step 7: Patent and tax ID registration**

The company is registered for the professional tax and tax identification through the Regional Center of Investment and the Regional Directorate of Taxes, without any associated cost. It is valid to all companies and the required documents for the business tax are license or diploma for the regulated activities, agreement in principle for the classified establishments and lease contract or domiciliation attestation by a legal entity.

- **Step 8: Registration within the Commercial Register**

The registration in the Commercial Register is applicable to all commercial companies except for joint-venture companies and is made in the Commercial Court, represented within the Regional Center of Investment. It costs 350 MAD for legal persons and 150 MAD for individuals.

- **Step 9: Affiliation to the social security administration (CNSS)**

All commercial companies, except for joint-venture companies must affiliate to CNSS through the social security counter, within the Regional Center of Investment and it does not have any associated cost.

- **Step 10: Publication in a legal announcement gazette and the official bulletin**

Once the company is registered in the commercial register (step 8) and within a period not exceeding one month, two advertisements are compulsory in a *Legalannounce Gazette* and in the *Official Bulletin*. It is applicable to all commercial companies and it has a variable cost, on average costs 8 MAD per line in the *Legalannounce Gazette* and 4 MAD per line in the Official Bulletin.

Description	Cost (MAD)
Negative certificate (per year)	1 750
Port expenses (per sheet: 20; Assumption: 20 sheets)	400
Bylaws (capital ≤ 500 000 MAD)	1 000
Lease agreement	200
Registration of company's governing bodies	200
Registration within commercial register	350
Legalanounce Gazette (per line: 8; assumption: 10 lines)	80
Official Bulletin (per line: 4; assumption: 10 lines)	40
Total constitution costs	**4 020**

Source: Author's elaboration

It is important to mention that to the costs presented will be added the costs of a legal office that, as mentioned above, Laverde will contract externally and it will pay a monthly agreement.

Appendix 7: General Import Regime

Morocco's trade with foreign countries is ruled by the provisions of Law No. 13-89 of 1992 and Decree No. 2-93-415 of 1993. According this legislation, practically all goods can be imported freely, but with respect for the limits imposed on the protection of morals, safety and public order, health, wildlife and flora, the national historical, archaeological and artistic heritage, or to preserve the financial position of the country. In this context, there are products whose importation is prohibited and products whose importation is subject to specific formalities. The Investment Letter (*Charte de l'Investissement* – framework law No. 18-95), in force since 1 January 1996, reduced and simplified administrative procedures for adopted common incentives for all sectors, except the agricultural sector, which is subject to specific legislation. In fact, in Morocco to the foreign investors are given the same treatment as domestic investors, for practically all sectors of activity and companies. In turn, as part of the industrialization process underway in the country, it should also be noted the exemption from corporate income tax for the first 5 years for new industrial investment projects adopted by Loi de Finances pour 2017.

With the Circular No. 5959/312 of 2 August 2019, the Customs and Indirect Taxes Administration enforces the previously existing rule (Circular No. 5354/312 of 2012) that the Summary Declaration, which is to be submitted prior to the arrival of the goods at the Moroccan customs office of entry, must cover at least the Harmonized Commodity Description and Coding System tariff heading for each merchandise, that is the four-digit commodity code. This rule will be enforced as of 1 October 2019 on a mandatory basis. The HS constitutes a universal economic language and code for goods, which was developed and constantly improved by the World Customs Organization. In fact, it consists of over 1.200 four-digit heading grouped in 97 chapters, which are arranged into 21 sections and most of the headings are subdivided into five-digit or six-digit subheadings. Altogether, the HS includes about 5,000 commodity groups, each identified by a six-digit code (HS Code), which are identical in different countries.

Importers must register with the national single window system operated by PortNet S.A. to process import operations electronically and all companies engaged in importation must be entered into the Moroccan commercial register. Upon application with the nearest investment center subordinate to the Ministry of the Interior, a company will be registered by the commercial court at the place where the company is located. The company's registration number must be indicated on all import documents. A Negative Certificate is a prerequisite for the registration, since it proves that the prospective business does not infringe upon property rights of others. The *code opérateur* is assign by Moroccan customs authorities to all participants in foreign trade.

For goods entering the country by aircraft, vessel or for placing in warehouses, it must be declared in a Summary Declaration and a common business identifier (ICE) must have been obtained previously. The documents are processed through the electronic customs processing system (BADR) for the import and export clearance of goods run by the ADII. The system provides for the electronic tracking of shipments and for the submission and handling of the following documents between the involved entities: Carnet TIR, Certificate of Conformity, Customs Import Declaration, Engagement of Importation, Import Licence, Preliminary Import Declaration and Summary Declaration. For the customs clearance of goods, the following documents may have to be submitted with the customs import declaration or single goods declaration (DUM): commercial invoice, certificate of non-preferential origin or proof of preferential origin, import title, freight document (air waybill of bill of lading), packing list, insurance certificate and commercial registration. Customs documents should be prepared in Arabic or French, with matters prescribed by international agreements or the customs rules and generally the application forms should be completed in the language used in the forms.

The Moroccan customs authorities issue three different kinds of import titles and depending on the kind of required import title, the Customs Import Declaration is to be submitted within three to six months of the date of issue of the title.

- Engagement of Importations: submitted to prove that importations liberalised from import restrictions and involving payments have been domiciled through the bank of the importer;
- Summary Table for Specific Iron and Steel Products: in case of specific iron and steel products, this document is to be endorsed by the Ministry of Industry, Commerce, Investment and Digital Economy, Division of Commercial Regulation and Facilitation, must be submitted this import title together with further documents to said authority. The form for the Engagement of Importation is also used to apply for an Import Licence, which relate to quantitative restrictions on the importation of certain goods that affect national security, environmental protection and public health issues, such as

pyrotechnical articles, certain hazardous or ozone-depleting substances, animal vaccines and sera, pesticides, polyethylene, used or rethreaded tyres, used textiles and waste;

- Preliminary Import Declarations: for goods which are subject to specific security measures or which may be harmful for the Moroccan economy, it includes goods which benefits from subsidies in the country of export, or importations which counteract the valid anti-dumping laws. This import tittle is to be effected on the same document as the Import License. These procedures are controlled by the customs authorities and administered by the Department of Foreign Trade coming under the Ministry of Industry, Commerce, Investment and Digital Economy.

In this context, it is important to mention the so-called Halal Certification, which means "permitted" or "lawful" in Arabic, and states that the goods to be exported cannot contradict the dictates and principles of Islamic law so that they can be consumption. In Portugal the Halal Certification can be done with the CIL or the IHP. A quantity of products are prohibited from importation into Morocco, in order to prevent health, security and the preservation of public morals. Therefore, products which do not follow the health norms, such as phytosanitary, veterinary standards and labelling requirements, counterfeit products and imitations, do not qualify for importation. Additionally, the Moroccan Customs Code does not allow the importation of anise or star anise essence and extracts thereof, absinthe and similar products, weapons of war, beverages containing wine or other alcohol, flavoured spirits, certain carpets, hemp, pharmaceutical preparations containing chloramphenicol, gentamicin and nitrofuranes, chlorofluorocarbons, empty wood packaging material (pallets, drums, crates, loading trays, reels, ring boxes and sleds, if intended to be imported in used condition), hazardous waste and plastic bags, except for isothermal plastic bags and bags for industrial or agricultural use, freezing, deep-freezing or waste collection. In addition, is prohibited the importation of casings and covers made of plastic, which have been used in agricultural production and are suspected of being infested by certain dangerous organisms included in the Annex of Ministerial Decree No. 467-84 of 19 March 1984.

Moreover, there are some facilitated customs clearance procedures for importers and customs clearance agents who have accomplished the status of authorised economic operators. To be qualified for the AEO scheme, importers have to prove that they have acted in compliance with the Moroccan customs legislation in the past and that they agree to constantly optimise their risk management. In order to obtain the AEO status, interested individuals or entities must apply to the customs authorities.

Importers may pay duties, taxes and government fees online. Furthermore, the ADII has implemented several methods of payment for customs liabilities, such as transaction fees, duties and taxes. Since payments in cash have been prohibited for all commercial trade transactions since the beginning of 2018, after the submission of an e-mail address in the BADR, to which all correspondence will be directed, it can be chosen if the amounts may be transferred online as e-payment or as m-payment via mobile devices, by means of banking machines or by service providers. The Customs and Indirect Taxes Administration in Morocco can require and advance ruling, which is a binding confirmation of the customs classification of goods to be imported, their origin or the methods of customs evaluation. The rules on determining the customs value of imported goods are applied according to the Agreement on Implementation of Article VII (Customs Valuation) of the GATT 1994. Customs duties and taxes levied on the entry of Community products into Morocco, as well as the import procedures and required documentation, can be found on the MADB website of the European Commission, by introducing the country and the product code (4 or 6 digits, optional).[9] On the Moroccan Customs website through the ADIL system is also possible to assess which amounts to pay for the customs clearance.

Some Portuguese products benefit from preferential treatment, which consists on the exemptions or reductions from import duties, as provided for in the Euro-Mediterranean Association Agreement. For goods to benefit from preferential treatment when it enters in the Moroccan market, the community origin must be proved by a EUR.1 Movement Certificate, which is a form used in international commodity traffic and is the most importantly recognized certificate of original in the external trade, especially within the framework of several multilateral and bi-agreements of the Pan-European system.

Furthermore, it should be noted that nonetheless the free movement of Community goods, under the above-mentioned Euro-Mediterranean Association Agreement, in the last years the Moroccan market has been establishing several protectionist measures that have hindered the access by some Portuguese companies. In fact, some of these actions

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[9] Tariff and rules of origin:
https://madb.europa.eu/madb/datasetPreviewFormATpubli.htm?datacat_id=AT&from=publi
Procedures and formalities:
https://madb.europa.eu/madb/datasetPreviewFormIFpubli.htm?datacat_id=IF&from=publi

are the creation of a confidential table that imposes minimum import prices on which customs duties and VAT are applied, an exchange rate and basis of calculation for payment of VAT, certification procedures and requirement for laboratory analysis whether the products comply with local technical standards and other countries community.

The origin declaration on the invoice may be complete by any exporter in the case of consignments with value which does not exceed €6,000 or by an authorized exporter in respect of goods of a value exceeding that amount. If the value of the goods is less than €6,000, it is advisable to use the declaration in the invoice by any exporter only for occasional goods shipments. In its turn, when the shipments of goods are frequent, even if its value is less than €6,000, it is required to have the status of authorized exporter. The authorized exporter status must be requested in writing from the Tax Authority and Portuguese Customs (Autoridade Tributária e Aduaneira), using the form available for this purpose on the Finance Portal (customs services). Although the Portuguese Customs issue the certificates of origin at the time of exportation on the basis of declarations made by operators, these may not be immediately confirmed to avoid blocking exports. In fact, this does not prevent customs authorities of Morocco to request information on the issue thereof. Under these circumstances and after exportation, the Portuguese Customs have the obligation to verify with the exporter whether or not the declarations made were correct, to be able to respond to the customs authorities of our trading partners. For this reason, Portuguese companies applying for certificates of origin should first check whether they meet the mandatory requirements for the goods to be considered Preferential Rules of Origin and benefit from the issuance of proof of origin.

Taking into account the temporary importation of commercial samples, which not exceed a value of 5,000 MAD, it should be declared to the ADII with a Simplified Import Declaration of Commercial Samples and it may substitutes the requirement for a Carnet A.T.A. Considering the final importations of commercial samples with a value lower than 500 MAD, it is available a simplified import declaration scheme under import duty and tax exemption. For samples exceeding this threshold value and if they are not re-exported and have not been rendered unusable, require the submission of a regular Customs Import Declaration. Independently of the value of the importation of commercial samples, it is not required a Certificate of Conformity.

The Central Bank of Morocco (BKAM) is the exclusive body authorised to issue the Moroccan Dirham and the MAD is not freely convertible abroad. The BKAM applies currency control measures, whereby all import transactions subject to payments must be domiciled and the payment in a foreign currency must be applied for at a permitted intermediary bank which is accredited by the central bank. In its turn, the Moroccan Exchange Office (*Office des Changes*) is the body in charge of legislating the measures concerning currency regulations and it delegated the power to liberally conduct almost all foreign financial settlements. Generally, the currency of payment may be freely chosen and payments in advance for goods are allowed if the total value does not exceed 200,000 MAD. In case of specific products and commodities intended for other than the free circulation of goods, the down payment must be indicated on the Commercial Invoice and is only permitted for up to 30% of the total value of the goods.

With respect to import duties and taxes, goods imported into a free zone are considered as being outside the customs territory, in this case no duties and taxes are charged. Actually, duties and taxes are to be paid only upon transfer of the commodities from a free zone into the customs territory. At the moment, there are five FTZs in Morocco: Zone Franche d'Exportation de Tanger (Tangier), Zones Franches dans Tanger Med Ksar el Majaz Melousa 1 et 2 (Tangier), Zone Franche de Dakha et de Laayoune (Rabat), Zone Franche de Stockage des Hydrocarbures: Kevdana et Nador (Nador) and Zone Franche d'Exportation de Kénitra.

Goods entering or leaving the customs territory may be declared for customs warehousing, where they are placed under customs supervision. There are two different types of warehouses, the public customs warehouses must be appropriately accredited by the respective municipality or chamber of commerce, whereas private warehouses may be opened for certain purposes only and are to be licensed by the Ministry of Finance. Goods may be warehoused for a period of one year, which may be prolonged for a duration of six months twice.

The country of origin labelling is required for certain goods and for specific commodities projected for the final consumer in Morocco, as well as agricultural goods and health products. Generally there are not specific regulations applicable to the outside marking of containers for consignments to Morocco. However, an indication on the containers exterior of the weight indicated in kilogrammes and supplementary identification markings, might facilitate the customs clearance procedure. Actually, product labels must contain some minimum information, such as name and type of the product, name and address of the importer, country of origin or place of provenance, brand name (if applicable), net quantity, list of ingredients, instructions of use, instructions for storage (if applicable) and production and expiry dates (if applicable). The labelling must be done in Arabic and may additionally be done in one or more foreign languages in a visible, legible and indelible way.

In Morocco the responsible authority for standardisation is the *Institut Marocain de Normalisation* and through this institute the country is a member, affiliate member or associate member of some international organisations, such as International Organization for Standardization , International Electro technical Commission, European Committee for Standardisation and European Committee for Electro technical Standardisation.

The responsibilities of sellers and buyers regarding the delivery of goods under international sales contracts are regularly defined by Incoterms, created by the International Chamber of Commerce, which are International Commercial Terms, establish rules for the allotment of costs and risks to the parties of sales contracts and it is also used for purposes of customs valuations. In case of inexistence or explicit reference to a version, the use of the current 2010 edition will be assumed, which stipulates the following rules:

- For sea transport and inland waterways: free alongside ship, free on board, cost and freight and cost, insurance and freight;
- For any modes of transport: ex works, free carrier, carriage paid to, carriage and insurance paid to, delivered at terminal, delivered at place and Delivered Duty paid.

In terms of investment support agencies, AMDI is the entity responsible for the promotion and exploration of new investment by the development of areas of activity for the sectors of commerce, industry and new technologies and by coordinating investments at national and international level. At the investment reform plan presented by the Moroccan government in 2016, was raised the AMDIE, which will merge AMDI with Maroc Export and the OFEC. Note that the AMDI website provides information on: legal framework for Investment/ business environment, investor protection, the steps to follow for business creation, costs, taxation, existing incentives for foreign investment, aid to SMEs, special investment zones and several subjects, including a *Guide de l'Investisseur*.

According to the location of the investment, promoters should contact their respective *Centre Régional d'Investissement*, which have the essential functions of providing start-up assistance and supporting investors in carrying out their investment projects, as well as promoting the attractiveness of regions in high potential sectors. Actually, there are CRIs in the major provinces

Appendix 8: Market study of the cosmetic industry in Morocco

In order to analyse the cosmetics market in Morocco and the consumer behaviour in this industry, the following survey was carried out. The survey was conducted online and were collected 106 responses from different regions of the country.

Bienvenue.

Je suis étudiant au Master en Finance de l'ISCTE-IUL au Portugal, et je réalise ce questionnaire pour la préparation de ma thèse. L'objectif principal de cette étude est de réaliser une étude de marché de l'industrie cosmétique au Maroc.

Toutes les réponses fournies sont anonymes et ne seront divulguées à aucune autre fin. Le temps estimé pour remplir ce questionnaire est d'environ 5 minutes.

Merci pour votre coopération!

1) Genre

- ○ Féminin
- ○ Masculin

2) I'âge

- ○ < 18
- ○ 18 - 24
- ○ 25 - 35
- ○ 36 - 45

- 46 - 55
- 55 - 64
- > 64

3) Région

- Tangier – Tétouan – Al Houceima
- Oriental
- Fès – Meknès
- Rabat – Salé – Kénitra
- Béni Mellal – Khénifra
- Casablanca – Settat
- Marrakesh – Safi
- Drâa – Tafilalet
- Souss – Massa
- Guelmim – Oued Noun
- Laâyoune – Sakia el Hamra
- Dakhla – Oued ed Dahab

4) Quel est votre niveau d’étude?

- Primaire

- Secondaire
- Professionnel
- Bachelier
- Maîtrise
- Doctorat

5) Combien de personnes composent votre ménage?

- 1
- 2
- 3
- 4
- 5
- > 5

6) Quel est le revenu mensuel moyen de votre ménage?

- < 3,000 MAD
- 3,000 – 5,000 MAD
- 5,001 – 8,000 MAD
- 8,001 – 11,000 MAD
- > 11,000 MAD

7) Quels produits cosmétiques utilisez-vous régulièrement? Vous pouvez sélectionner plusieurs réponses.

- ☐ Hygiène buccale
- ☐ Produits Capillaires
- ☐ Crème pour le visage
- ☐ Masque facial
- ☐ Crème pour le corps
- ☐ Déodorant
- ☐ Gel Douche
- ☐ Des parfums
- ☐ Produits barbe
- ☐ Protecturs solaires
- ☐ Après le soleil
- ☐ Anti-rides
- ☐ Nettoyage
- ☐ Du savon
- ☐ Autre/Autres. Lequel/Lequels?

____

8) Où trouvez-vous habituellement vos produits cosmétiques? Vous pouvez sélectionner plusieurs réponses.

- [ ] Supermarché
- [ ] Grossiste
- [ ] Médina
- [ ] Marchés
- [ ] Boutique en ligne/ Site web de la marque
- [ ] Magasin de Marque
- [ ] Réseaux Sociaux
- [ ] Autre/Autres. Lequel/ Lequels?

____

9) Au moment de l’achat des produits cosmétiques, quels facteurs avez-vous à l’esprit? Ordennez vos préférences.

______ Renouvellement de la marque
______ Qualité du produit
______ Composition du produit
______ Prix
______ Production nationale
______ Produits BIO

10) Combien déspensez-vous chaque mois en produits cosmétiques?

- ○ < 100 MAD
- ○ 100 – 200 MAD
- ○ 201 – 300 MAD
- ○ 301 – 400 MAD

- 401 – 500 MAD
- > 500 MAD

Compte tenu de la prise de conscience accrue des préoccupations environnementales et des produits que nous utilisons claque jour, les produits biologiques, organique et naturel occupent une place de plus en plus prépondérante dans notre vie quotidienne en raison des nombreux avantages qu'ils présentent.

11) Êtes-vous un consommateur de produits cosmétiques d'origine organique et naturel?

- Oui
- Non. Pourquoi? ____

12) Combien dépensez-vous chaque mois en cosmétiques d'origine **organique et naturel**?

- < 100 MAD
- 100 – 200 MAD
- 201 – 300 MAD
- 301 – 400 MAD
- 401 – 500 MAD
- > 500 MAD

13) Quelles matières premières préférez-vous dans la composition de vos produits organique et naturel? Vous pouvez sélectionner plusieurs réponses.

- [ ] Lavande

- [ ] Huile d'argan
- [ ] Huile de coco vierge
- [ ] Bave d'um escargot
- [ ] Aloe vera
- [ ] Eau florale de figuier de I'Inde
- [ ] Huile de figuier de I'Inde
- [ ] Miel de manuka
- [ ] Autre/Autres. Lequel/Lequels?

____

14) Quels facteurs vous inciteraient à opter pour des cosmétiques d'origine organique et naturel?

______ Avantages pour la santé
______ Qualité supérieure du produit
______ Impact environnemental
______ Produit BIO certifié

Merci pour votre disponibilité ☺

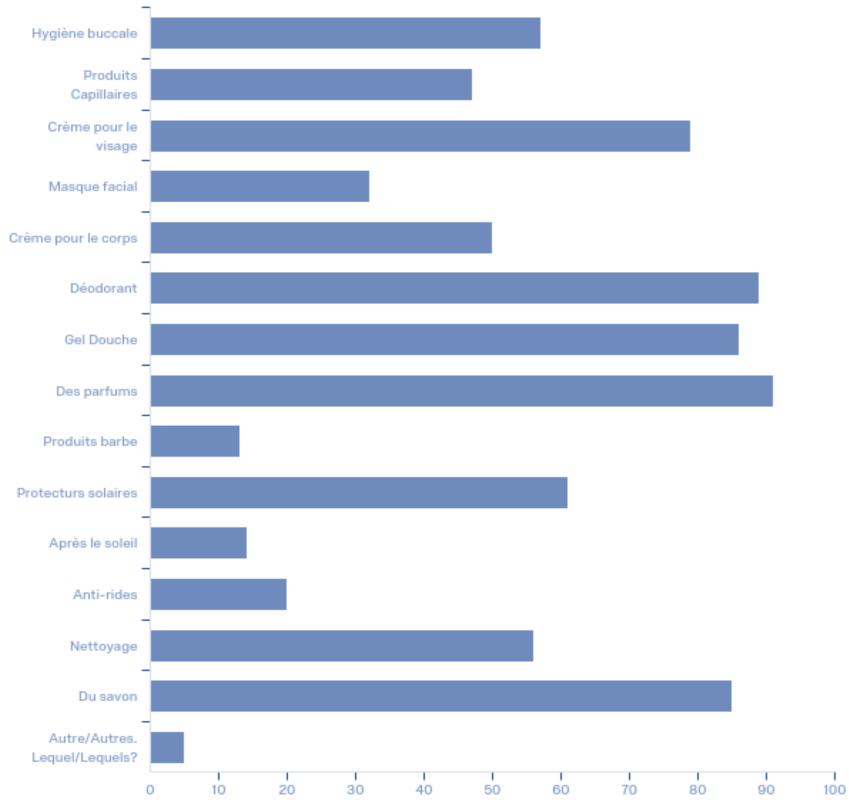
Appendix 9: Survey analysis - Market and consumer behaviour study

As mentioned before, the survey presented in the Appendix 8 has been implemented in order to analyse with more detail the consumer profile of cosmetic products in Morocco and to understand what motivates their purchasing decisions. The results of the 106 respondents were evaluated, of which 86 were female and 20 male. Although, changing work patterns and lifestyles, coupled with increasing consciousness regarding one's appearance, are boosting the demand for cosmetics among men.

As regards age, 6 of the respondents were under 18, 15 were between 18 and 24, 44 between 25 and 35, 22 between 36 and 45, 7 between 46 and 55, 22 between 55 and 64 and 3 were over 64 years old. The majority of respondents (68) are from Rabat – Salé – Kénitra region, while from Casablanca – Settat region 23 people were surveyed, from Tangier – Tétouan – Al Houceima, there were 10 replies, from Fès – Meknés there were 2 answers, as from Marrakesh – Safi.

Regarding the level of education, 10 of the respondents are doctorate, 65 have a master's degree, 10 a bachelor's degree, 15 a technical education, 4 general secondary and 2 primary school. In turn, as regards household composition, 6 respondents have a household composed by more than five elements, 12 by five elements, 27 by four elements, 22 by three elements, 24 by two elements and 15 only by one element. Taking into account the household monthly remuneration, about 44% of respondents have a remuneration above 11,000 MAD, approximately 20% have a remuneration between 8,001 and 11,000 MAD, 8% between 5,001 and 8,000 MAD, about 19% have it between 3,000 and 5,000 MAD and finally, about 10% have a monthly household earnings below 3,000 MAD.

Regarding the different cosmetic products used by consumers on a regular basis, the responses were quite diverse, as shown in the following chart. Although, the most commonly used are perfumes, deodorants, shower gel, soaps, hair products and face creams. In addition, some respondents mentioned other products not on the list, such as make-up products, anti-stain serum and natural products. In fact, the exponentially rising concerns related to skin care and aging care are the key factors promoting the uptake of these products. Regarding male consumers in Morocco, they are more likely to use skin care products and antiperspirant deodorants owing to humid climatic conditions. Besides that, in Morocco women tend to take extra care of their hair owing to typically humid climate. Besides that, the increasing adoption of modern lifestyle by young individuals is estimated to significantly boost the demand for hairstyling products.



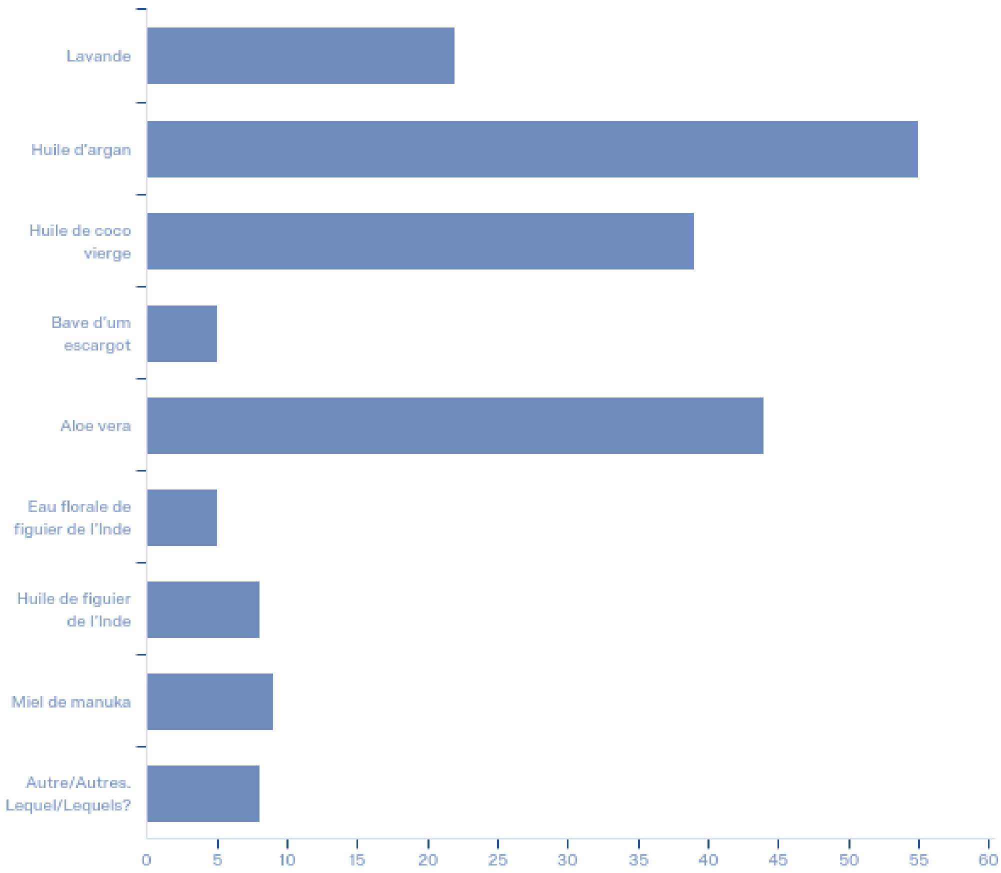
Source: Author's Elaboration

Most respondents (77) chose to buy their products in supermarkets, 55 of respondents choose to buy it directly from the brand's boutique and 28 from the brand's website, 25 of the replies indicate that they buy directly from the wholesaler, 15 from the Médinas, 16 from respondents choose to buy their products through social networks and 14 in local markets. In fact, modern supermarkets and retail outlets are projected to gain a considerable share over the forecast period and existing international retailers in the country mainly operate through partnership. Additionally, the growing popularity of online stores is projected to benefit cosmetics manufactures owing to their operating efficiency and ease of use. Some respondents claim to buy their products from pharmacies, para-pharmacies, perfumeries and some indicate that they buy their products abroad, mostly in France and Spain. Actually, increasing urbanization and growing inclination toward western culture are expected to augment the demand for foreign cosmetic brands among women in the country in the coming years.

The factor that most respondents attach most importance to when purchasing cosmetic and personal care products is their quality, then they give huge importance to the composition of the products, posteriorly they are concerned with the price, then they value when the products are organic and they take into consideration the renown of the brand of the product. Finally, respondents are concerned with the national product brands. Concerning the average monthly investment by consumers in cosmetic products, about 11% answered that they spend less than 100 MAD, approximately 19% spend between 100 and 200 MAD, about 30% between 201 and 300 MAD, around 11% spend between 301 and 400 MAD, round 17% between 401 and 500 MAD and only 11% usually spend more than 500 MAD per month on cosmetics.

To the question "Are you a consumer of organic and natural cosmetics?", 77 of the respondents answered "yes" and only 19 "no", presenting as main reasons for not adhering to the consumption of organic and natural products the fact that products have high prices, the customers are sceptical and do not believe that the products are in fact 100% natural and organic, due to the preference to buy well-known brands or because there are no biological products suitable for their skin type. In fact, nowadays the population have become increasingly sceptical towards the cosmetic products and the chemicals that they are exposed to. Considering the respondents who answered that they usually use products of biological origin, the majority, approximately 28% say that they usually spend less than MAD 100 to buy their products, about 25% usually spend between 100 and 200 MAD, approximately 23% spend between 201 and 300 MAD, 10% between 301 and 400 MAD, 7% between 401 and 500 MAD and 7% spend a monthly amount in cosmetics and personal care products over 500 MAD.

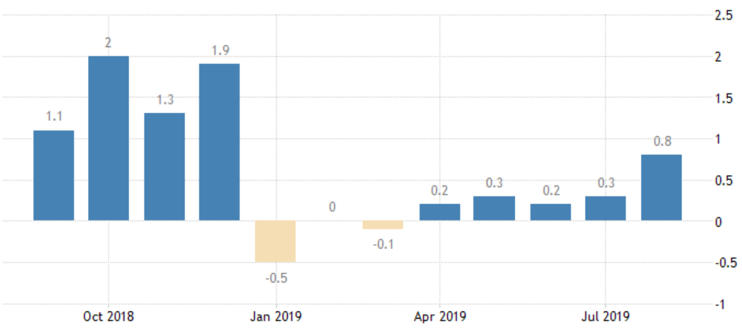
Regarding the natural and organic raw materials preferred by consumers, as can be observed from the graph below, stand out the argan oil, aloe vera, virgin coconut oil and lavender. In addition, some consumers have referred different raw materials, such as carrot essential oil, nijelle essential oil, natural cadelula officinalis extract, karité butter and almond oil. Actually, since flora biodiversity on Earth is enormous, a great number of aromatic and medicinal plants can be used for cosmetic purposes. According to the study elaborated by Grand View Research, regarding Morocco cosmetics market, the surging use of natural ingredients, such as fruits, vegetables and herbs in skin care products to impart anti-aging and UV protection properties is expected to contribute to the growth of the skin and sun care segment. In addition, argan or Moroccan oil-based hair products are used extensively by natives for hair care and hair repair treatments.



Source: Author's elaboration

Overall respondents, whether they usually consume organic products or do not consume, replied that the main reason that would lead them to consume natural or organic products was the health benefits, then the superior quality of the products, posteriorly the fact that the product has a BIO certificate and then the concern about the environmental impact. In fact, customers prefer to use cosmetic products that are less harmful and have minimum side effects. Therefore, overall manufactures are mainly focusing on producing skin care and hair care products with natural ingredients as per consumer preferences.

Appendix 10: Inflation rate in Morocco



Source: Trading Economics 2019

As can be observed on this graph the inflation in Morocco is low and quite stable and it is not expected to exceed the 2% in the coming years. In fact, the upward pressure came mostly from prices of alcoholic beverages and tobacco, clothing and footwear, restaurants and hotels, housing and utilities and transport. Meantime, prices of food and non-alcoholic beverages decreased less. From 2018 to 2019 the underlying inflation rate experienced a decline mainly because of the huge decrease (1.8%) of oil prices.

Appendix 11: Vehicle investment and depreciation

A) Vehicle Details in Year 0

Capex Type	Price per unit (MAD)	Quantity	Total	Capex Year	Period
Small car	200 000	2	400 000	2020	5
Renewal	220 816	2	441 632	2025	5
Total CAPEX		**2**	**400 000**		

B) Vehicle CAPEX

Capex Type	2019 Year 0	2020 Year 1	2021 Year 2	2022 Year 3	2023 Year 4	2024 Year 5	2025 Year 6	2026 Year 7	2027 Year 8	2028 Year 9	2029 Year 10	TOTAL
Small car	-	400 000	-	-	-	-	-	-	-	-	-	400 000
Renewal	-	-	-	-	-	-	441 632	-	-	-	-	441 632
Total CAPEX	**-**	**400 000**	**-**	**-**	**-**	**-**	**441 632**	**-**	**-**	**-**	**-**	**841 632**

C) Vehicle Depreciation

Capex Type	2019 Year 0	2020 Year 1	2021 Year 2	2022 Year 3	2023 Year 4	2024 Year 5	2025 Year 6	2026 Year 7	2027 Year 8	2028 Year 9	2029 Year 10	TOTAL
Small car	-	80 000	80 000	80 000	80 000	80 000	-	-	-	-	-	400 000
Renewal	-	-	-	-	-	-	88 326	88 326	88 326	88 326	88 326	441 632
Total Depreciation	**-**	**80 000**	**80 000**	**80 000**	**80 000**	**80 000**	**88 326**	**88 326**	**88 326**	**88 326**	**88 326**	**841 632**

Appendix 12: Technology, office and warehouse investment and depreciation

A) Technology, office and warehouse CAPEX

Capex Type	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	TOTAL
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	
Laptop (x4)	15 200	-	-	-	-	-	-	-	-	-	15 200
Laptop Renewal	-	-	-	-	-	16 782	-	-	-	-	16 782
Phone (x4)	5 196	-	-	-	-	-	-	-	-	-	5 196
Phone Renewal	-	-	-	-	-	5 737	-	-	-	-	5 737
Scanner printer	1 100	-	-	-	-	-	-	-	-	-	1 100
Scanner printer Renewal	-	-	-	-	-	1 214	-	-	-	-	1 214
Office and warehouse equipment	198 277	-	-	-	-	-	-	-	-	-	198 277
Total CAPEX	**219 773**	**-**	**-**	**-**	**-**	**23 733**	**-**	**-**	**-**	**-**	**243 506**

B) Technology, office and warehouse Depreciation

Capex Type	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	TOTAL
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	
Laptop (x4)	3 040	3 040	3 040	3 040	3 040	-	-	-	-	-	15 200
Laptop Renewal	-	-	-	-	-	3 356	3 356	3 356	3 356	3 356	16 782
Phone (x4)	1 039	1 039	1 039	1 039	1 039	-	-	-	-	-	5 196
Phone Renewal	-	-	-	-	-	1 147	1 147	1 147	1 147	1 147	5 737
Scanner printer	220	220	220	220	220	-	-	-	-	-	1 100
Scanner printer Renewal	-	-	-	-	-	243	243	243	243	243	1 214
Office and warehouse equipment	19 828	19 828	19 828	19 828	19 828	19 828	19 828	19 828	19 828	19 828	198 277
Total Depreciation	**24 127**	**24 127**	**24 127**	**24 127**	**24 127**	**24 574**	**24 574**	**24 574**	**24 574**	**24 574**	**243 506**

Appendix 13: Intangible assets investment and depreciation

A) Intangible assets CAPEX

Capex Type	2020 Year 1	2021 Year 2	2022 Year 3	2023 Year 4	2024 Year 5	2025 Year 6	2026 Year 7	2027 Year 8	2028 Year 9	2029 Year 10	TOTAL
Website	32 074	-	-	-	-	-	-	-	-	-	32 074
Primavera BSS	26 434	-	-	-	-	-	-	-	-	-	26 434
Total CAPEX	**58 508**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**58 508**

B) Intangible assets Depreciation

Capex Type	2020 Year 1	2021 Year 2	2022 Year 3	2023 Year 4	2024 Year 5	2025 Year 6	2026 Year 7	2027 Year 8	2028 Year 9	2029 Year 10	TOTAL
Website	3 207	3 207	3 207	3 207	3 207	3 207	3 207	3 207	3 207	3 207	32 074
Primavera BSS	2 643	2 643	2 643	2 643	2 643	2 643	2 643	2 643	2 643	2 643	26 434
Total Depreciation	**5 851**	**5 851**	**5 851**	**5 851**	**5 851**	**5 851**	**5 851**	**5 851**	**5 851**	**5 851**	**58 508**

Appendix 14: Detailed revenue for year 1

Product	Nº of units (Distributor)	Price Distributor (MAD)	Nº of units (E-commerce)	Price E-commerce (MAD) Discount: 15%	Total
Toothpaste (100 g)	87	50	130	42,50	9 858
Facial cream (100 g)	633	70	950	59,50	100 858
Facial serum (30 g)	467	85	700	72,25	90 242
Bath salts (200 g)	100	50	150	42,50	11 375
Shampoo (200 ml)	2000	65	3000	55,25	295 750
Shampoo (500 ml)	2200	140	3300	119,00	700 700
Hair mask (200 ml)	667	70	1000	59,50	106 167
Hair mask (500 ml)	367	155	550	131,75	129 296
Hair conditioner (200 ml)	1800	65	2700	55,25	266 175
Hair conditioner (500 ml)	1467	145	2200	123,25	483 817
Sunscreen (200 ml)	100	135	150	114,75	30 713
Hand cream (50 ml)	490	35	735	29,75	39 016
Liquid soap (250 ml)	200	40	300	34,00	18 200
Body lotion (200 ml)	447	65	670	55,25	66 051
Body lotion (500 ml)	520	145	780	123,25	171 535
Body oils (200 ml)	300	75	450	63,75	51 188
Shower gel (200 ml)	2133	65	3200	55,25	315 467
Shower gel (500 ml)	2867	150	4300	127,50	978 250
Total Projected Revenue Year 1 (MAD)	**16 843**		**25 265**		**3 864 656**

Appendix 15: Revenue growth over 10 year

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Sales growth	0%	5%	15%	10%	7,5%	7,5%	7,5%	5%	5%	5%
Inflation	0%	1.4%	1.4%	1.5%	1.5%	2%	2%	2%	2%	2%
Global growth	0%	6,47%	16,61%	11,65%	9,11%	9,65%	9,65%	7,10%	7,10%	7,10%

Appendix 16: Projected revenues for the 10 years

Product	Year 1 0%	Year 2 6,47%	Year 3 16,61%	Year 4 11,65%	Year 5 9,11%	Year 6 9,65%	Year 7 9,65%	Year 8 7,10%	Year 9 7,10%	Year 10 7,10%	Total
Toothpaste (100 g)	9 858	10 496	12 240	13 665	14 910	16 349	17 927	19 200	20 563	22 023	157 232
Facial cream (100 g)	100 858	107 384	125 220	139 808	152 545	167 266	183 407	196 429	210 375	225 312	1 608 604
Facial serum (30 g)	90 242	96 080	112 039	125 092	136 488	149 659	164 101	175 752	188 230	201 595	1 439 277
Bath salts (200 g)	11 375	12 111	14 123	15 768	17 204	18 865	20 685	22 154	23 727	25 411	181 422
Shampoo (200 ml)	295 750	314 885	367 187	409 965	447 313	490 478	537 809	575 994	616 889	660 689	4 716 959
Shampoo (500 ml)	700 700	746 035	869 952	971 301	1 059 787	1 162 056	1 274 194	1 364 662	1 461 553	1 565 324	11 175 565
Hair mask (200 ml)	106 167	113 036	131 811	147 167	160 574	176 069	193 060	206 767	221 447	237 170	1 693 267
Hair mask (500 ml)	129 296	137 661	160 527	179 228	195 556	214 427	235 119	251 813	269 691	288 839	2 062 158
Hair conditioner (200 ml)	266 175	283 397	330 469	368 968	402 581	441 430	484 028	518 394	555 200	594 620	4 245 263
Hair conditioner (500 ml)	483 817	515 120	600 681	670 660	731 757	802 372	879 801	942 267	1 009 168	1 080 819	7 716 461
Sunscreen (200 ml)	30 713	32 700	38 131	42 573	46 452	50 934	55 849	59 815	64 062	68 610	489 838
Hand cream (50 ml)	39 016	41 541	48 440	54 084	59 011	64 705	70 949	75 987	81 382	87 160	622 276
Liquid soap (250 ml)	18 200	19 378	22 596	25 229	27 527	30 183	33 096	35 446	37 962	40 658	290 274
Body lotion (200 ml)	66 051	70 324	82 005	91 559	99 900	109 540	120 111	128 639	137 772	147 554	1 053 454
Body lotion (500 ml)	171 535	182 633	212 969	237 780	259 441	284 477	311 929	334 076	357 796	383 199	2 735 836
Body oils (200 ml)	51 188	54 499	63 552	70 955	77 419	84 890	93 082	99 691	106 769	114 350	816 397
Shower gel (200 ml)	315 467	335 877	391 667	437 296	477 133	523 177	573 663	614 393	658 015	704 734	5 031 423
Shower gel (500 ml)	978 250	1 041 543	1 214 543	1 356 037	1 479 572	1 622 351	1 778 908	1 905 210	2 040 480	2 185 354	15 602 249
Total Projected Revenue (MAD)	**3 864 656**	**4 114 700**	**4 798 151**	**5 357 136**	**5 845 171**	**6 409 230**	**7 027 720**	**7 526 689**	**8 061 083**	**8 633 420**	**61 637 956**

Appendix 17: Detail of the vehicle cost

Vehicle costs	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Insurance	14 000	14 196	14 395	6090	6 181	6 305	6 431	6 560	6 691	6 825
Maintenance	20 000	20 280	20 564	20 872	21 185	21 609	22 041	22 482	22 932	23 390
Fuel	36 000	36 504	37 015	37 570	38 134	38 897	39 674	40 468	41 277	42 103
Tolls	9 600	9 734	9 871	10 019	10 169	10 372	10 580	10 791	11 007	11 227
Total vehicle costs	**79 600**	**80 714**	**81 844**	**74 551**	**75 670**	**77 183**	**78 727**	**80 301**	**81 907**	**83 545**

Appendix 18: Revenue through distributors

Product	Year 1 0%	Year 2 6,47%	Year 3 16,61%	Year 4 11,65%	Year 5 9,11%	Year 6 9,65%	Year 7 9,65%	Year 8 7,10%	Year 9 7,10%	Year 10 7,10%	Total
Toothpaste (100 g)	4 333	4 614	5 380	6 007	6 554	7 186	7 880	8 439	9 039	9 680	69 113
Facial cream (100 g)	44 333	47 202	55 042	61 454	67 053	73 523	80 618	86 342	92 473	99 038	707 079
Facial serum (30 g)	39 667	42 233	49 248	54 985	59 995	65 784	72 132	77 254	82 739	88 613	632 649
Bath salts (200 g)	5 000	5 324	6 208	6 931	7 562	8 292	9 092	9 738	10 429	11 170	79 746
Shampoo (200 ml)	130 000	138 411	161 401	180 204	196 621	215 595	236 400	253 184	271 160	290 413	2 073 389
Shampoo (500 ml)	308 000	327 928	382 396	426 946	465 840	510 794	560 085	599 852	642 441	688 054	4 912 336
Hair mask (200 ml)	46 667	49 686	57 939	64 689	70 582	77 393	84 861	90 887	97 340	104 251	744 293
Hair mask (500 ml)	56 833	60 510	70 561	78 782	85 959	94 254	103 349	110 687	118 546	126 962	906 443
Hair conditioner (200 ml)	117 000	124 570	145 261	162 184	176 959	194 035	212 760	227 866	244 044	261 371	1 866 050
Hair conditioner (500 ml)	212 667	226 426	264 036	294 796	321 652	352 691	386 726	414 183	443 590	475 085	3 391 851
Sunscreen (200 ml)	13 500	14 373	16 761	18 714	20 418	22 389	24 549	26 292	28 159	30 158	215 313
Hand cream (50 ml)	17 150	18 260	21 293	23 773	25 939	28 442	31 187	33 401	35 772	38 312	273 528
Liquid soap (250 ml)	8 000	8 518	9 932	11 089	12 100	13 267	14 548	15 581	16 687	17 872	127 593
Body lotion (200 ml)	29 033	30 912	36 046	40 246	43 912	48 150	52 796	56 544	60 559	64 859	463 057
Body lotion (500 ml)	75 400	80 278	93 613	104 518	114 040	125 045	137 112	146 847	157 273	168 439	1 202 565
Body oils (200 ml)	22 500	23 956	27 935	31 189	34 031	37 314	40 915	43 820	46 932	50 264	358 856
Shower gel (200 ml)	138 667	147 638	172 161	192 218	209 729	229 968	252 160	270 063	289 238	309 773	2 211 615
Shower gel (500 ml)	430 000	457 821	533 865	596 060	650 361	713 121	781 938	837 455	896 914	960 595	6 858 132
Total Projected Revenue (MAD)	**1 698 750**	**1 808 659**	**2 109 077**	**2 354 785**	**2 569 306**	**2 817 244**	**3 089 108**	**3 308 435**	**3 543 333**	**3 794 910**	**27 093 607**

Appendix 19: OPEX projection over 10 years

OPEX (MAD)	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	Total
	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	
Administrative costs		**1 879 640**	**1 949 963**	**2 070 972**	**1 998 400**	**2 028 376**	**2 265 890**	**2 110 323**	**2 152 529**	**2 195 580**	**2 239 491**	**20 891 164**
Staff salaries		1 779 400	1 848 319	1 967 905	1 902 309	1 930 843	2 166 406	2 008 849	2 049 026	2 090 007	2 131 807	19 874 872
Vehicles		91 600	92 882	94 183	87075	88 381	90 149	91 952	93 791	95 666	97 580	923 258
Mobile phones plans		8 640	8 761	8 884	9 017	9 152	9 335	9 522	9 712	9 907	10 105	93 034
Physical space costs		**771 576**	**782 378**	**793 331**	**805 231**	**817 310**	**833 656**	**850 329**	**867 336**	**884 682**	**902 376**	**8 308 206**
Office		60 000	60 840	61 692	62 617	63 556	64 828	66 124	67 447	68 795	70 171	646 070
Warehouse		600 000	608 400	616 918	626 171	635 564	648 275	661 241	674 466	687 955	701 714	6 460 703
House		102 000	103 428	104 876	106 449	108 046	110 207	112 411	114 659	116 952	119 291	1 098 320
Internet connection		9 576	9 710	9 846	9 994	10 144	10 346	10 553	10 764	10 980	11 199	103 113
Sales costs		**548 272**	**583 745**	**680 705**	**760 007**	**829 243**	**909 265**	**997 010**	**1 067 797**	**1 143 611**	**1 224 807**	**8 744 462**
Bad debt		38 647	41 147	47 982	53 571	58 452	64 092	70 277	75 267	80 611	86 334	616 380
Distributors		509 625	542 598	632 723	706 435	770 792	845 173	926 732	992 530	1 063 000	1 138 473	8 128 082
Business activity costs		**253 660**	**260 150**	**273 180**	**284 582**	**294 966**	**307 573**	**321 079**	**332 877**	**345 292**	**358 365**	**3 031 724**
Convenant Lawyer Society		48 000	48 672	49 353	50 094	50 845	51 862	52 899	53 957	55 036	56 137	516 856
Audit fee		57 970	61 720	71 972	80 357	87 678	96 138	105 416	112 900	120 916	129 501	924 569
Negative certificate		1 750	1 775	1 799	1 826	1 854	1 891	1 929	1 967	2 007	2 047	18 844
Freight forwarder		30 000	30 420	30 846	31 309	31 778	32 414	33 062	33 723	34 398	35 086	323 035
Corporate overhead		115 940	117 563	119 209	120 997	122 812	125 268	127 773	130 329	132 935	135 594	1 248 420
Start-up costs	**556 586**											**556 586**
Travel expenses	10 000											
Staff salaries	248 000											
Office	10 000											
Warehouse	100 000											
House	17 000											
Internet connection	1 596											
Branch constitution	4 020											
Convenant Lawyer Society	8 000											
Product analysis	50 000											
Dossier registation	20 000											
Freight forwarder	30 000											
Corporate overhead	57 970											
Total OPEX	**556 586**	**3 453 147**	**3 576 235**	**3 818 188**	**3 848 221**	**3 969 896**	**4 316 384**	**4 278 741**	**4 420 539**	**4 569 165**	**4 725 040**	**41 532 141**

Appendix 20: P&L projections over 10 years

(MAD)	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	Total
	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	
Net Revenues		3 864 656	4 114 700	4 798 151	5 357 136	5 845 171	6 409 230	7 027 720	7 526 689	8 061 083	8 633 420	61 637 956
Gross margin		**3 400 898**	**3 620 936**	**4 222 373**	**4 714 279**	**5 143 750**	**5 640 122**	**6 184 394**	**6 623 486**	**7 093 753**	**7 597 410**	**54 241 401**
As a % of Net Revenues		88,00%	88,00%	88,00%	88,00%	88,00%	88,00%	88,00%	88,00%	88,00%	88,00%	88,00%
Administrative costs		**(1 879 640)**	**(1 949 963)**	**(2 070 972)**	**(1 998 400)**	**(2 028 376)**	**(2 265 890)**	**(2 110 323)**	**(2 152 529)**	**(2 195 580)**	**(2 239 491)**	**(20 891 164)**
As a % of Net Revenues		-48,6%	-47,4%	-43,2%	-37,3%	-34,7%	-35,4%	-30,0%	-28,6%	-27,2%	-25,9%	-33,9%
Staff salaries		(1 779 400)	(1 848 319)	(1 967 905)	(1 902 309)	(1 930 843)	(2 166 406)	(2 008 849)	(2 049 026)	(2 090 007)	(2 131 807)	(19 874 872)
Vehicles		(91 600)	(92 882)	(94 183)	(87 075)	(88 381)	(90 149)	(91 952)	(93 791)	(95 666)	(97 580)	(923 258)
Mobile phones plans		(8 640)	(8 761)	(8 884)	(9 017)	(9 152)	(9 335)	(9 522)	(9 712)	(9 907)	(10 105)	(93 034)
Physical space costs		**(771 576)**	**(782 378)**	**(793 331)**	**(805 231)**	**(817 310)**	**(833 656)**	**(850 329)**	**(867 336)**	**(884 682)**	**(902 376)**	**(8 308 206)**
As a % of Net Revenues		-20,0%	-19,0%	-16,5%	-15,0%	-14,0%	-13,0%	-12,1%	-11,5%	-11,0%	-10,5%	-13,5%
Office		(60 000)	(60 840)	(61 692)	(62 617)	(63 556)	(64 828)	(66 124)	(67 447)	(68 795)	(70 171)	(646 070)
Warehouse		(600 000)	(608 400)	(616 918)	(626 171)	(635 564)	(648 275)	(661 241)	(674 466)	(687 955)	(701 714)	(6 460 703)
House		(102 000)	(103 428)	(104 876)	(106 449)	(108 046)	(110 207)	(112 411)	(114 659)	(116 952)	(119 291)	(1 098 320)
Internet connection		(9 576)	(9 710)	(9 846)	(9 994)	(10 144)	(10 346)	(10 553)	(10 764)	(10 980)	(11 199)	(103 113)
Sales costs		**(548 272)**	**(583 745)**	**(680 705)**	**(760 007)**	**(829 243)**	**(909 265)**	**(997 010)**	**(1 067 797)**	**(1 143 611)**	**(1 224 807)**	**(8 744 462)**
As a % of Net Revenues		-14,2%	-14,2%	-14,2%	-14,2%	-14,2%	-14,2%	-14,2%	-14,2%	-14,2%	-14,2%	-14,2%
Bad debt		(38 647)	(41 147)	(47 982)	(53 571)	(58 452)	(64 092)	(70 277)	(75 267)	(80 611)	(86 334)	(616 380)
Distributors		(509 625)	(542 598)	(632 723)	(706 435)	(770 792)	(845 173)	(926 732)	(992 530)	(1 063 000)	(1 138 473)	(8 128 082)
Business activity costs		**(253 660)**	**(260 150)**	**(273 180)**	**(284 582)**	**(294 966)**	**(307 573)**	**(321 079)**	**(332 877)**	**(345 292)**	**(358 365)**	**(3 031 724)**
As a % of Net Revenues		-6,6%	-6,3%	-5,7%	-5,3%	-5,0%	-4,8%	-4,6%	-4,4%	-4,3%	-4,2%	-4,9%
Convenant Lawyer Society		(48 000)	(48 672)	(49 353)	(50 094)	(50 845)	(51 862)	(52 899)	(53 957)	(55 036)	(56 137)	(516 856)
Audit fee		(57 970)	(61 720)	(71 972)	(80 357)	(87 678)	(96 138)	(105 416)	(112 900)	(120 916)	(129 501)	(924 569)
Negative certificate		(1 750)	(1 775)	(1 799)	(1 826)	(1 854)	(1 891)	(1 929)	(1 967)	(2 007)	(2 047)	(18 844)
Freight forwarder		(30 000)	(30 420)	(30 846)	(31 309)	(31 778)	(32 414)	(33 062)	(33 723)	(34 398)	(35 086)	(323 035)
Corporate overhead		(115 940)	(117 563)	(119 209)	(120 997)	(122 812)	(125 268)	(127 773)	(130 329)	(132 935)	(135 594)	(1 248 420)

Start-up costs	**(556 586)**											**(556 586)**
Travel expenses	(10 000)											
Staff salaries	(248 000)											
Office	(10 000)											
Warehouse	(100 000)											
House	(17 000)											
Internet connection	(1 596)											
Branch constitution	(4 020)											
Convenant Lawyer Society	(8 000)											
Product analysis	(50 000)											
Dossier registation	(20 000)											
Freight forwarder	(30 000)											
Corporate overhead	(57 970)											
Total Opex	(556 586)	(3 453 147)	(3 576 235)	(3 818 188)	(3 848 221)	(3 969 896)	(4 316 384)	(4 278 741)	(4 420 539)	(4 569 165)	(4 725 040)	(41 532 141)
As a % of Net Revenues	-	-89,4%	-86,9%	-79,6%	-71,8%	-67,9%	-67,3%	-60,9%	-58,7%	-56,7%	-54,7%	-67,4%
Operating margin	**(556 586)**	**(52 250)**	**44 700**	**404 185**	**866 058**	**1 173 854**	**1 323 738**	**1 905 653**	**2 202 947**	**2 524 588**	**2 872 370**	**12 709 260**
As a % of Net Revenues	-	-1,4%	1,1%	8,4%	16,2%	20,1%	20,7%	27,1%	29,3%	31,3%	33,3%	20,6%
Depreciation	-	**109 978**	**109 978**	**109 978**	**109 978**	**109 978**	**118 752**	**118 752**	**118 752**	**118 752**	**118 752**	**1 143 647**
As a % of Net Revenues		3%	3%	2%	2%	2%	2%	2%	2%	1%	1%	2%
Vehicle		80 000	80 000	80 000	80 000	80 000	88 326	88 326	88 326	88 326	88 326	841 632
Technologie		24 127	24 127	24 127	24 127	24 127	24 574	24 574	24 574	24 574	24 574	243 506
Intangible assets		5 851	5 851	5 851	5 851	5 851	5 851	5 851	5 851	5 851	5 851	58 508
EBIT	**(556 586)**	**(162 227)**	**(65 277)**	**294 208**	**756 081**	**1 063 877**	**1 204 986**	**1 786 902**	**2 084 195**	**2 405 836**	**2 753 619**	**11 565 613**
As a % of Net Revenues	-	-4,2%	-1,6%	6,1%	14,1%	18,2%	18,8%	25,4%	27,7%	29,8%	31,9%	18,8%
Corporate tax (45%)							662 742	982 796	1 146 307	1 323 210	1 514 490	5 629 546
Cotisation Minimale	exemption					1 500	1 500	1 500	1 500	1 500	1 500	9 000
Total						1 500	664 242	984 296	1 147 807	1 324 710	1 515 990	5 638 546
NOPAT	**(556 586)**	**(162 227)**	**(65 277)**	**294 208**	**756 081**	**1 062 377**	**540 744**	**802 606**	**936 388**	**1 081 126**	**1 237 628**	**5 927 067**
As a % of Net Revenues	-	-4,2%	-1,6%	6,1%	14,1%	18,2%	8,4%	11,4%	12,4%	13,4%	14,3%	9,6%

Appendix 21: Working Capital Variation over the 10 years

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Total Revenue	3 864 656	4 114 700	4 798 151	5 357 136	5 845 171	6 409 230	7 027 720	7 526 689	8 061 083	8 633 420
E-commerce Revenue	2 165 906	2 306 040	2 689 074	3 002 351	3 275 865	3 591 986	3 938 613	4 218 254	4 517 750	4 838 510
Distributor Revenue	1 698 750	1 808 659	2 109 077	2 354 785	2 569 306	2 817 244	3 089 108	3 308 435	3 543 333	3 794 910
Distributor Revenue (70%)	1 189 125	1 266 061	1 476 354	1 648 349	1 798 514	1 972 071	2 162 376	2 315 904	2 480 333	2 656 437
WC (2/12 Distributor Revenue)	-198 188	-211 010	-246 059	-274 725	-299 752	-328 678	-360 396	-385 984	-413 389	-442 740
WCV	-198 188	-12 823	-35 049	-28 666	-25 027	-28 926	-31 717	-25 588	-27 405	-29 351
WCV (%)	-	6%	17%	12%	9%	10%	10%	7%	7%	7%

Appendix 22: CF over 10 years

(MAD)	2019 Year 0	2020 Year 1	2021 Year 2	2022 Year 3	2023 Year 4	2024 Year 5	2025 Year 6	2026 Year 7	2027 Year 8	2028 Year 9	2029 Year 10	Total
NOPAT	**(556 586)**	**-162 227**	**-65 277**	**294 208**	**756 081**	**1 062 377**	**540 744**	**802 606**	**936 388**	**1 081 126**	**1 237 628**	**5 927 067**
As a % of Net Revenues	-	-4,2%	-1,6%	6,1%	14,1%	18,2%	8,4%	11,4%	12,4%	13,4%	14,3%	9,6%
Depreciation		109 978	109 978	109 978	109 978	109 978	118 752	118 752	118 752	118 752	118 752	1 143 647
CAPEX		(678 281)	-	-	-	-	(465 366)	-	-	-	-	**(1 143 647)**
Vehicle Capex		(400 000)	-	-	-	-	(441 632)	-	-	-	-	(841 632)
Technologie Capex		(219 773)	-	-	-	-	(23 733)	-	-	-	-	(243 506)
Intangible Assets Capex		(58 508)	-	-	-	-	-	-	-	-	-	(58 508)
Working capital variation		(198 188)	(12 823)	(35 049)	(28 666)	(25 027)	(28 926)	(31 717)	(25 588)	(27 405)	(29 351)	-
Free Cash Flow	**(556 586)**	**(928 718)**	**31 878**	**369 137**	**837 393**	**1 147 327**	**165 204**	**889 640**	**1 029 551**	**1 172 473**	**1 327 029**	**5 484 327**
As a % of Net Revenues		-24,0%	0,8%	7,7%	15,6%	19,6%	2,6%	12,7%	13,7%	14,5%	15,4%	8,9%
Cumulated Free Cash Flow	**(556 586)**	**(1 485 304)**	**(1 453 427)**	**(1 084 290)**	**(246 897)**	**900 429**	**1 065 633**	**1 955 273**	**2 984 825**	**4 157 298**	**5 484 327**	
						Break-even point						
Pay-back ratio		**1,0**	**1,0**	**1,0**	**1,0**	**0,3**	**-**	**-**	**-**	**-**	**-**	**4,3**
Discounted Free Cash Flow	**(556 586)**	**(829 213)**	**25 413**	**262 744**	**532 178**	**651 024**	**83 697**	**402 428**	**415 819**	**422 806**	**427 268**	**1 837 578**
Cumulated Discounted Free Cash Flow	**(556 586)**	**(1 385 799)**	**(1 360 386)**	**(1 097 642)**	**(565 464)**	**85 560**	**169 258**	**571 686**	**987 504**	**1 410 310**	**1 837 578**	