

2.21 ACOS FILLER – ACCELERATION PROJECT

PGF Application		For: Approval	
Applicant:	Acos Filler Limited	Pipedrive ID #	Commer
Entity Type:	Company	PGF Funding Sought:	\$300,000
Region	Taranaki	Total Project Value:	Commercial Information
Tier:	1 - Regional	Co-contribution rate:	Comm%
Sector:	Manufacturing	Funding Structure:	Loan

We recommend that the SROs:

a) **Approve** \$300,000 of financial support in the form of a loan and/or equity at commercial rates to Acos Filler Ltd on the basis that acceleration to commercialisation for an innovative and ready for market beverage filling machine will create up to ^{Comm} new jobs for the Taranaki region over the next ^{Commercial Information}.

b) **Note** that, as the firm is looking to export markets for its next stage growth, grant funding is unable to be provided to this project due to NZ's international trade obligations.

c) **Note** the applicant has invested over \$^{Commercial} into the R&D for the beverage filling devices it has developed. The filling and capping machines are primarily for use in the craft brewing industry.

d) **Commercial Information**

e) **Note** over the ^{Comm} percent of the overall project funding will be allocated towards building up an inventory of stock for sale. Staff will need to be on-boarded in order to build up inventories.

f) **Note** the applicant will contribute a further \$^{Commercial Inform} into the project **Commercial Information**, with funding increments being provided against project costs on this shared basis.

g) **Note** acceleration to commercial operations will be based in Taranaki and will initially create ^{Com} new job (project/factory manager position), with a further ^{Com} jobs (being a mixture of managerial, marketing, and up to ^{Com} assembly related roles) forecast to come on board between **Commercial Information**.

h) **Note** The PGF Tier 2 Sector Investment guidelines allows investment in firms in a rapid growth stage, where the project timeframes and productivity/and or employment objectives of the PGF are met, such as is the case

with this project.

- i) **Note** the funding assistance will be subject to the following conditions being met:
Commercial Information



Proposal:

- PGF funding is sought to assist the applicant with the commercial acceleration of machinery used in the process for filling and capping of carbonated beverages. This follows completion of a 3 year R&D phase for the following machines:
 - AF4 filler machine (selling price: \$^{Commercial In} per unit);
 - AF15 filler machine (larger scale with 6 filler heads) (selling price: expected to be \$^{Commercial Info} per unit); and
 - Acos labelling machine (selling price: \$^{Comm} per unit)
- Funding is expected to provide for creation of ^{Comm} new jobs - **Commercial Information**
- The applicant has moved operations to Taranaki following completion of the R&D Phase, with a dedicated project manager being on-boarded to drive the commercialisation process.
- The target markets are craft brewing and the growing kombucha industry, with the developed technology extending the shelf-life of bottled products.
- Although the company has generated some sales in New Zealand to date (^{Comm} AF4 filler units), marketing overseas is expected to provide the biggest sales market for the machines, given the relatively small scale of the New Zealand carbonated beverage market.
- Patents are pending for the filling equipment in various jurisdictions, including NZ, Australia, Canada, China, USA and Europe.



- <http://www.acosfiller.com/>
- <https://youtu.be/coLwEohQnmk>

Assessment against the PGF criteria:		
Eligibility Criteria		
No issues were identified from an eligibility criteria perspective.		
Productivity Potential		
<p>Acos is targeting the creation of ^{Comm} new full time positions, mainly in assembly type roles in the first year of operation from the company's Taranaki base.</p> <p>In addition to direct jobs, 80% of supply chain parts are manufactured either locally in Taranaki or wider NZ. The project seeks to leverage off the specialist businesses that have been involved in the dairy and oil and gas/engineering sectors.</p> <p>If successful, the project will provide a new export marketing opportunity for a Taranaki based business.</p>		
Policy objectives and regional priorities		
Up to ^{Comm} new jobs for Taranaki, with potential for marketing products off-shore.		
PGF Criteria	Assessment Commentary	Rating (0✓ to 5✓)
Link with fund and government outcomes		
Creates permanent jobs	<ul style="list-style-type: none"> ^{Comm} jobs are expected to be created over the next 12 months of the project. These jobs will primarily be based in Taranaki (see consultation section), 	✓✓✓
Delivers benefit to the community	<ul style="list-style-type: none"> Use of local suppliers as part of the assembly process. Potential new export industry for Taranaki. A key feature of the developed machinery is that it extends the lifetime of carbonated beverages. 	✓✓
Increased utilisation and returns of Maori asset base	<ul style="list-style-type: none"> N/A. 	
Enhanced sustainability of natural assets	<ul style="list-style-type: none"> Shelf life of bottled beverages is improved resulting in less waste. 	
Mitigation of climate change effects	<ul style="list-style-type: none"> N/A. 	
Additionality		
Adding value by building on what is already there	<ul style="list-style-type: none"> The applicant has developed ^{Comm} prototype machines which are ready for development of commercial sales opportunities. 	✓✓✓

	<ul style="list-style-type: none"> There is a competing product on the market Commercial Information 	
Acts as a catalyst for productivity potential in the region	<ul style="list-style-type: none"> New jobs, diversity for a region which has many skilled workers who may be looking for opportunities to transition away from jobs in the oil and gas industry. 	✓✓✓
Connected to regional stakeholders and frameworks		
Alignment with regional priorities	<ul style="list-style-type: none"> Complementary/ aligned with Just Transitions in terms of utilisation of local suppliers as supply chain suppliers /expertise involved in the oil and gas sector. The provision of employment opportunities in the Taranaki economy as it transitions away from the oil and gas sector. 	✓✓✓
Support from local governance groups (inc. Councils, Iwi/Hapu)	<ul style="list-style-type: none"> Commercial Information / Commercial Information have been involved with the R & D phase and have endorsed the project Commercial Information 	✓✓✓
Governance, risk management and project execution		
Robust project management and governance systems	<ul style="list-style-type: none"> Experienced and committed personnel who have been involved in the R&D phase and other commercialisation projects. 	✓✓✓
Risk management approach	<ul style="list-style-type: none"> The risk management approach is appropriate having regard to the nature of the project. 	✓✓✓
Future ownership / operational management	<ul style="list-style-type: none"> Current ownership structure is intended to remain in place and be based in the Taranaki region. 	✓✓✓
Analysis of the benefits and costs		
<ul style="list-style-type: none"> The \$300,000 PGF funding will provide Acos with a cash-injection to accelerate its ability to assemble the filler machines in response to expected sales demand. Without the PGF funding, the commercialisation process is likely to be delayed. Given the start-up nature of the business, the applicant is seeking PGF loan funding on the basis that it is unable to obtain a loan from a commercial bank to assist with acceleration to commercial operations. Comm new direct jobs are expected to be created as a result of the acceleration project over a Commercial Informatio period commencing Commercial Information. Commercial Information 		
Financial Analysis		
<ul style="list-style-type: none"> As previously noted, funding of the Acos project to date has been dependent on advances from shareholders. Commercial Information 		

- Acos is projecting a large upswing in sales for the AF4 Filler now that the R& D phase is completed, with sales expected to increase to **Commercial Information**
- The AF4 Filler machines sell @ NZ\$^{Commercial Info} per machine, which compares favourably with competitive machines which are typically priced at \$^{Commercial Info} per machine. (e.g., MicroBrewTech REV 500 (bottles/minute) sells for \$^{Commercial Info} per unit (<https://www.odt.co.nz/regions/north-otago/micro-brewery-bottling-plant-challenge-draws-engineer-home>).
- Achieving the sales target of ^{Commercial Information} to ^{Commercial Information} would result in revenues of \$^{Commercial} (with a gross margin of ^{Commercial} %). Acos also has a sales target of ^{Commercial Information} to ^{Commercial Information}, which result in revenue of \$^{Commercial Info}.
- The AF4 machine has been strongly endorsed by existing customers (see attached testimonials)
- A similar marketing strategy is planned for the delivery of the larger capacity /more expensive A15 Filler device, which is expected to be priced at NZ\$^{Commercial Info} per unit, with a focus on export sales.

Funding Arrangements

Cost description:

Project Management/Subcontractor (design engineer)	-	Commercial Info
Completion of R & activity for AF15 machines	-	Commercial Info
Marketing activities (including website development/trade platforms	-	Commercial Info
Initial inventory manufacture of AF4 and AF15	-	Commercial Informa
Total	-	Commercial Informa

Due Diligence and Ownership

Shareholders:

Shareholder:	%
Anthony William Costello	50
Jeannie Christina Costello	50

Directors:

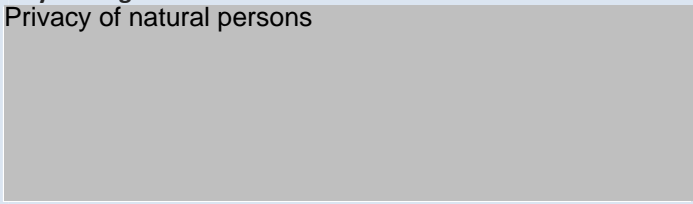
- Anthony (Tony) William Costello (Developer)
 - Patent Agencies Limited (Director and shareholder)
 - Acos Filler Limited (Director and shareholder)
 - Acos Automation Limited (Director and shareholder)

Trustees:

- N/A

Key Management Personnel:

Privacy of natural persons



- Tony Costello
- Jeannie Costello
 - Acos Filler Limited (Shareholder)

- **Privacy of natural persons**

Other

Tony Costello (Founder/Creator) has a long background in the food and beverage packaging industry and more recently worked with Peter Evans in relation to a precast stair moulding system and the Acos Filler in 2014.

Privacy of natural persons

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Commercial Information**Risk Assessment**

The key risks to the PDU and proposed mitigations of this investment are as follows:

Type of risk	Risk description	Mitigations	Risk Rating L/M/H
Intellectual Property	Technology has not yet been patented / competition	<ul style="list-style-type: none"> • Commercial Information 	Medium
Sales Revenue projection	Growth projections are very high – are they realistic and can the company keep up with expected demand. Conversely, if sales are too low, the ability to repay the loan might be compromised.	<ul style="list-style-type: none"> • Work closely with the applicant and obtain regular progress reports • Funding will be used to develop inventory 	Medium

Consultation undertaken or implications:**Venture Taranaki/Callaghan feedback:**

In regard to the Acos Filler Limited R&D grant co-funding via Callaghan Innovation, the work was carried out to plan and on time. They achieved the new product development goals and were able to get trial products into the market. From my viewpoint, the project appeared to be a competent and successful use of public co-funding. Some relevant information that I did not pick up from the PGF application text included: Tony Costello has had a previous career in low oxygen food packaging so has expertise in technology transfer from another industry that could be regarded as specialist and uncommon. The company has relocated to Taranaki so, if successful, could be a case study for commercial transfer from the main centres to the regions.

Supporting proposal:

Yes

Appendices:

Supporting information provided by applicant, including patents update. Testimonials.

Author of paper:

MC, Analyst, Investment Team