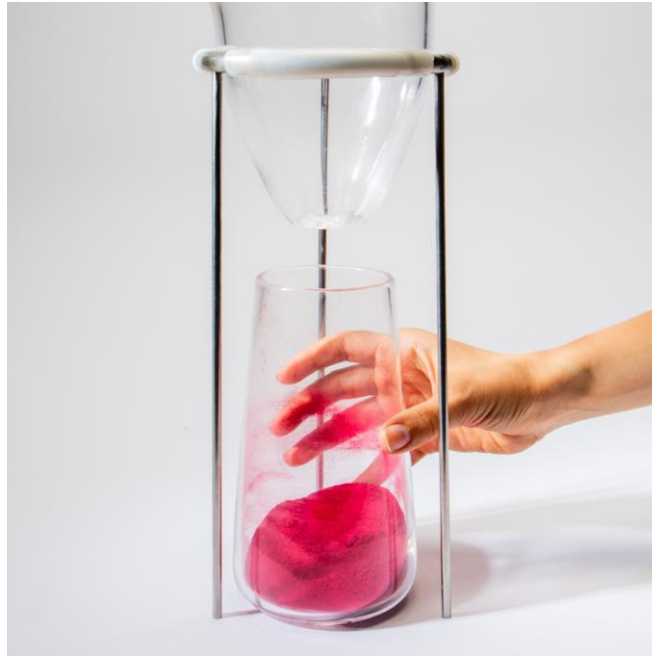


KAIKU



Executive Summary Prepared March 2021

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Kaiku Living Color Ltd. Executive Summary

Problem & Opportunity

The cosmetics industry is a far cry from the ecological vision that many consumers hope for. The majority of colorants used in cosmetics today are either synthetically derived from petrochemicals or sourced from countries with questionable labour practices. Additionally, consumers are increasingly worried about potential negative health effects from synthetic colorants and desire more natural substitutes.

Solution

KAIKU produces cosmetic colorants, color cosmetics, and botanical ingredients that are derived from agricultural plant waste. Our products are sold to cosmetic brands and direct to consumer. Our colorants are natural, vegan, and 100% plant based. Our system is circular (from farm waste to lab and back to farm field with remaining biomass), scalable, and less energy intensive than traditional manufacturing methods. Plus, we're valorising food waste from farms; a looming global problem. We're building the future of how color should be made.

Market

KAIKU will occupy a unique market position as both a cosmetic brand and manufacturer working primarily with waste-derived feedstocks. Our cosmetic brand will act as a hero and signpost showcasing our innovation and sustainability virtues to both consumers and journalists, thereby attracting media interest and collaboration requests from other companies. Research suggests that Millennial and Gen X consumers are longing for clean, bio-based skincare (Mintel, 2020), and the UK market alone represents a £1.6Bn opportunity by 2023 (Ethical Consumer, 2020). There are additional markets beyond cosmetics, such as textiles, that provide further growth opportunities for KAIKU.

Competition

KAIKU represents a unique plant-waste based solution, and while there are several market entrants, utilizing plant waste for food or scent applications, very few have produced market-ready solutions for the cosmetics industry. Within the cosmetic brands sphere, there are a few brands that are attempting fruit-based color cosmetics, but their feedstocks are not transparent or waste-based like KAIKU; this is an important differentiator for the future, as consumers are expected to demand increasingly more stringent sustainability standards from all products they buy.

Why Us?

KAIKU represents the future of how manufacturing should be, by attaining the highest standards in sustainable and ethical production. We will accomplish this through high quality research and innovation, a creative marketing strategy and partnering with other likeminded social impact businesses and NGOs.

Our founder, Nicole Stjernswärd, is well-versed in sustainable innovation, with a double masters degree in Innovation Design Engineering from Imperial College London and the Royal College of Art and several years' experience working in product design start-ups.

Environmental Impact, ESG, SDG

Environmental Benefits

KAIKU diverts fruit & vegetable waste from landfill (1535 kg CO₂e/t food waste) and utilizes Composting (-58 kg CO₂e/t FW) and Anaerobic digestion (-314 kg CO₂e/t FW) which have net negative CO₂e emissions (Lancaster Environment Centre, Moulton et al. 2018). Thus, KAIKU's business activities will result in beneficial reduction in food waste emissions by 2025, based on projections from similar industry activities.

Economic Benefits

- **UK Farms** - Via reduction of food waste for cosmetic colourant feedstock, the UK farms & waste suppliers of KAIKU could produce a net £200,000 per 60 acre farm, annually by 2026 (WRAP Cymru, 2018).
- **UK Food Industry** – Potentially £2k-4k revenue per tonne waste from UK fresh fruit industry (BDC, 2018). KAIKU contributes to reducing waste across UK industry by capturing agrowaste before it hits landfill.

ESG & SDG

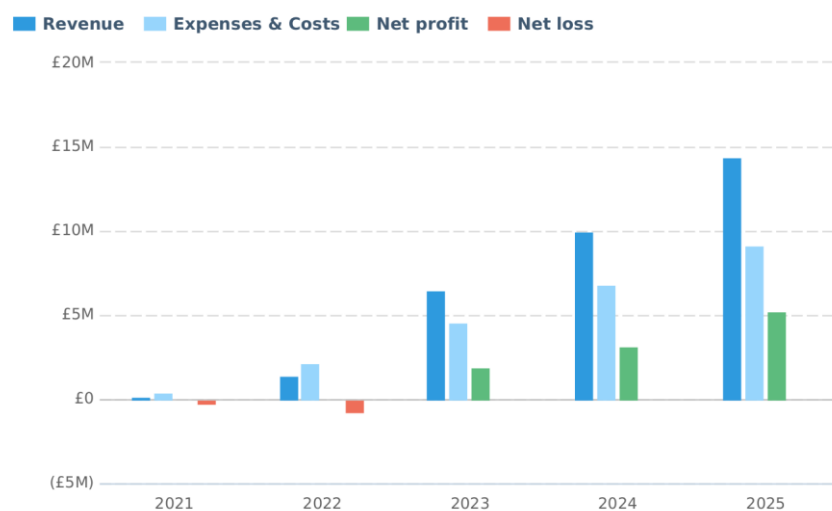
KAIKU represents an ESG investment opportunity, as it directly promotes cleaner manufacturing technologies, food waste reduction, and greener global supply chains. KAIKU's business activities support the United Nation's Sustainable Development Goals, part of the 2030 Agenda for Sustainable Development. Specifically, KAIKU helps create more responsible consumption and production methods (SDG #12) and its waste reduction creates more sustainable cities and farming communities (SDG #11).

Expectations

Forecast

As an innovative and R&D focused company, we require an initial outlay for feasibility research and scaling up production capabilities. As a result, we expect to be profitable in our third year of operation, especially after launching a marketing-intensive cosmetic brand. Afterwards we anticipate large exponential growth, through our B2B customers and large-scale production. As we scale up, net profit margins should increase and become more in line with our competitors.

Financial Highlights by Year



Financing Needed

We have managed by bootstrapping up until now, but in order to kickstart our research and development, we require pre-seed investment. We have applied for an Innovate UK grant of £190,000. We are seeking an additional £82,000 in match funding for this grant. The results of this award will be announced in late March, with the 12-month research project set to start after April 2021. We aim to raise another £500,000 in pre-seed funding before the end of Q4 2021 by which time we will be able to demonstrate technical feasibility of our colorants within a variety of cosmetic formulations and proven their safety and efficacy by an external lab. We will be primed for commercial launch in Q1 2022. We plan to raise a further round of £1.7M in 2022, which is comparable to several other biotech colorant start-ups in the market and would accelerate our growth and technical capabilities.