



# McGILL StLAURENT Growth Options

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# Agenda

- ▶ Problem statement
- ▶ Recommendation
- ▶ Alternatives analysis
- ▶ Implementation
- ▶ Conclusion

# Where do we go from here?

- ▶ Highly competitive industries
- ▶ Low margins
- ▶ Requires high turnover
- ▶ Diversification is necessary
- ▶ Vertical integration can mitigate risk

**Multiple revenue streams diversify risk and increase profitability**

# Situation analysis and goals

## Current Situation

- ▶ Volatile commodity market
- ▶ Risk of disruption
- ▶ Experience and knowledge

## Challenges

- ▶ Hedge inside market or other markets
- ▶ Be the disruptor
- ▶ Utilize research beyond trading

**Analysis shows opportunity to disrupt within the energy industry**

# Alternatives

## Commodities

- ▶ Mining
- ▶ Fertilizer
- ▶ Water supply

## Vertical Integration

- ▶ Construction
- ▶ Wind/solar production
- ▶ Energy storage – battery packs

**Multiple opportunities exist for expansion**

# Recommendation

- ▶ Build wind power generation system coupled with batter storage to vertically integrate within the energy market

# SWOT analysis

## Strengths

- ▶ Diversified through 3 lines of business
- ▶ Strong global relationships
- ▶ Logistically competent trading

## Opportunities

- ▶ Vertically integrate
- ▶ Enter new commodity market
- ▶ Increase sustainability

## Weakness

- ▶ Risky energy market
- ▶ Costly 3<sup>rd</sup> party transportation
- ▶ Low debt to equity

## Threat

- ▶ Large competitors
- ▶ Disruption in commodity market
- ▶ Volatile

**Analysis shows increased competition and low margins**

# Strategy solution through sustainable energy production and storage

## Obstacle

▶ High barrier to entry



## Solution

▶ Utilize positioning to expand

▶ Disruption potential



▶ Be the 1<sup>st</sup> to disrupt with integrated energy chain

▶ Volatility risk

▶ Sustainability movement



▶ Improve recognition and brand equity

**Vertical integration solves current challenges**



# Alternative 1: Develop Water Resources

## **Pros**

- ▶ Low risk, there will always be a need for water
- ▶ Future supply is threatened by climate change
- ▶ Already familiar with international regulatory environment

## **Cons**

- ▶ Not already in this industry, not traded like a commodity
- ▶ Will require significant investment

# Alternative 2: Vertical integration in wood

## Pros

- ▶ Already have a production facility, would be an extension of current assets
- ▶ Connects wood supply ability with interior architecture segment

## Cons

- ▶ New current experience in this market
- ▶ May cause tension with current customers

# Alternative 3: Additional commodities, fertilizer and mining

## **Pros**

- ▶ Experienced in commodities at present
- ▶ Leverage contacts and logistics from grain segment

## **Cons**

- ▶ Low margins
- ▶ Requires high inventory turn to be profitable

# Implementation: Energy Production and Storage

- ▶ Wind power and battery storage is in line with company values and industry trends
- ▶ Hedge against volatility
- ▶ Production and storage are modular, can be scaled

How to pay for it:

- ▶ \$18.5 million in debt, assuming 5% interest rate
- ▶ Can explore government grants, government is friendly to renewable energy

# Implementation Timeline

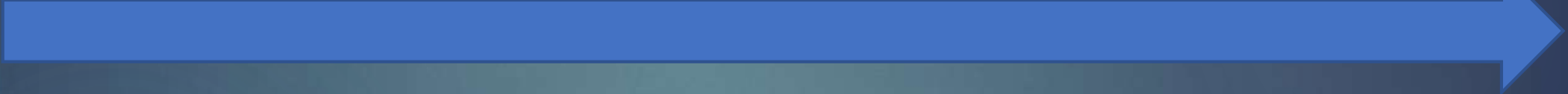


2018

2023

2026

2028



Initial Investment:  
\$18.5 million

Expansion 1:  
\$1 million

Expansion 2:  
\$1 million

Expansion 3:  
\$1 million



# Risk mitigation

## Risk

- ▶ Slowed growth of sustainable energy market



## Alternative

- ▶ Use storage capabilities for alternative sources

- ▶ Regulatory issues



- ▶ Leverage existing energy regulations knowledge

- ▶ Project is not profitable



- ▶ Exit project

- ▶ Project funding unavailable



- ▶ Explore alternative funding options

**Vertical integration solves current challenges**

# Conclusion: Powering the world drives the mission

- ▶ Hedging risk in a volatile market
- ▶ Promotes strong brand equity through sustainability
- ▶ Exploits nature of commodity market
- ▶ Become the disruptor before disruption

**Vertical integration of energy is the best choice**