

#perpetualmotion

McGILL StLAURENT

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What to tackle?

How can *McGill StLaurent* proactively leverage on a changing market environment and achieve its ambitious goals?

Problem Statement

What to tackle?

How can *McGill StLaurent* proactively leverage on a changing market environment and achieve its ambitious goals?

How to solve?

1. Diversify into basic chemical trading business
2. Push grain market penetration through aggressive recruiting
3. Increase AI know how and set up trading platform for wood business



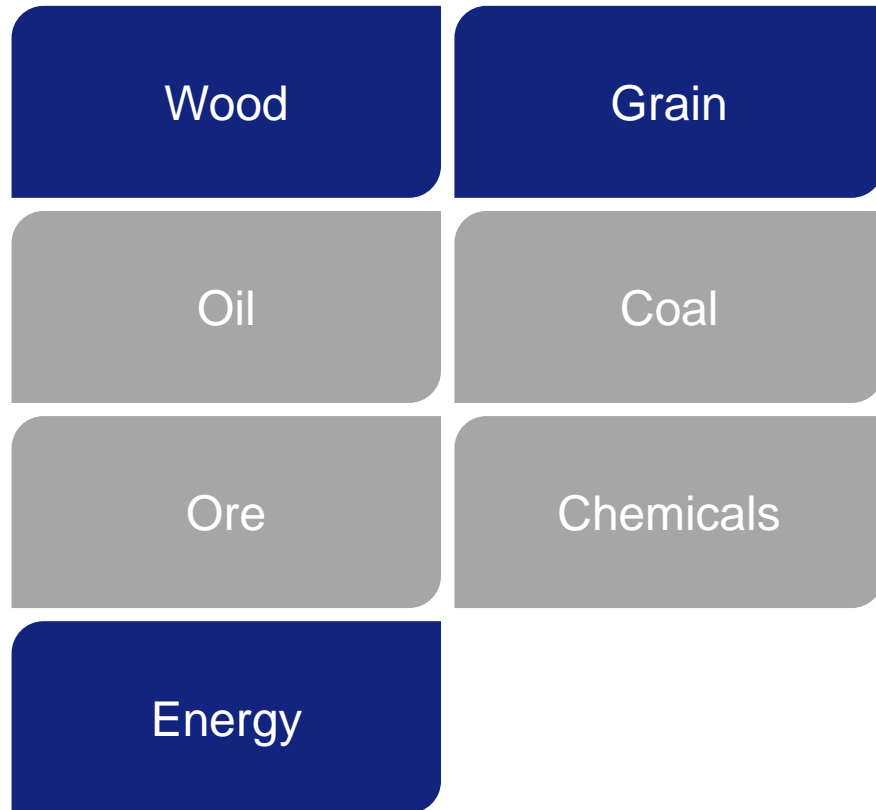
- 
- Situation Analysis
 - Strategic Alternatives
 - Implementation
 - Financials
 - Executive Summery

Key Issues



North American commodity market includes various fields and

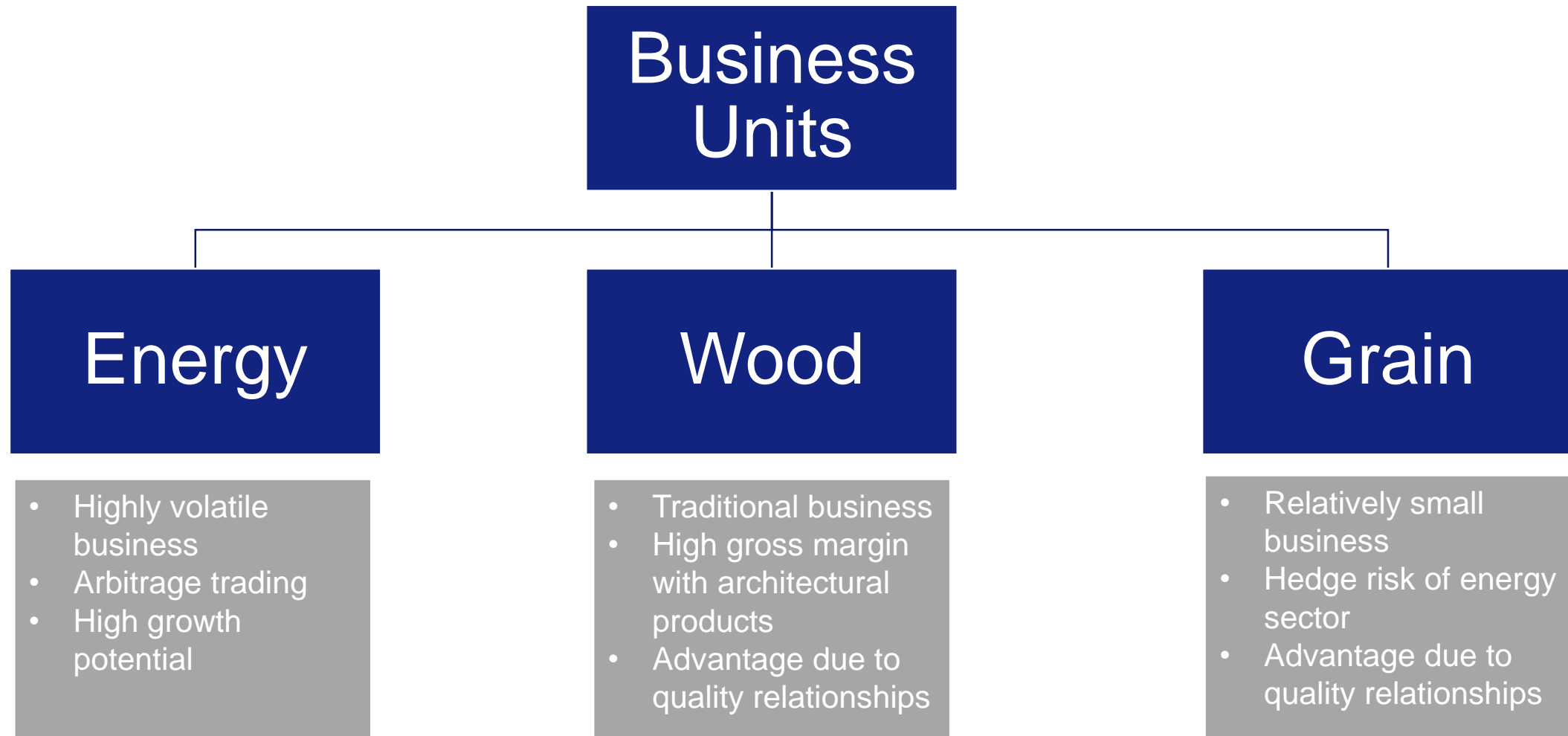
North American commodity markets



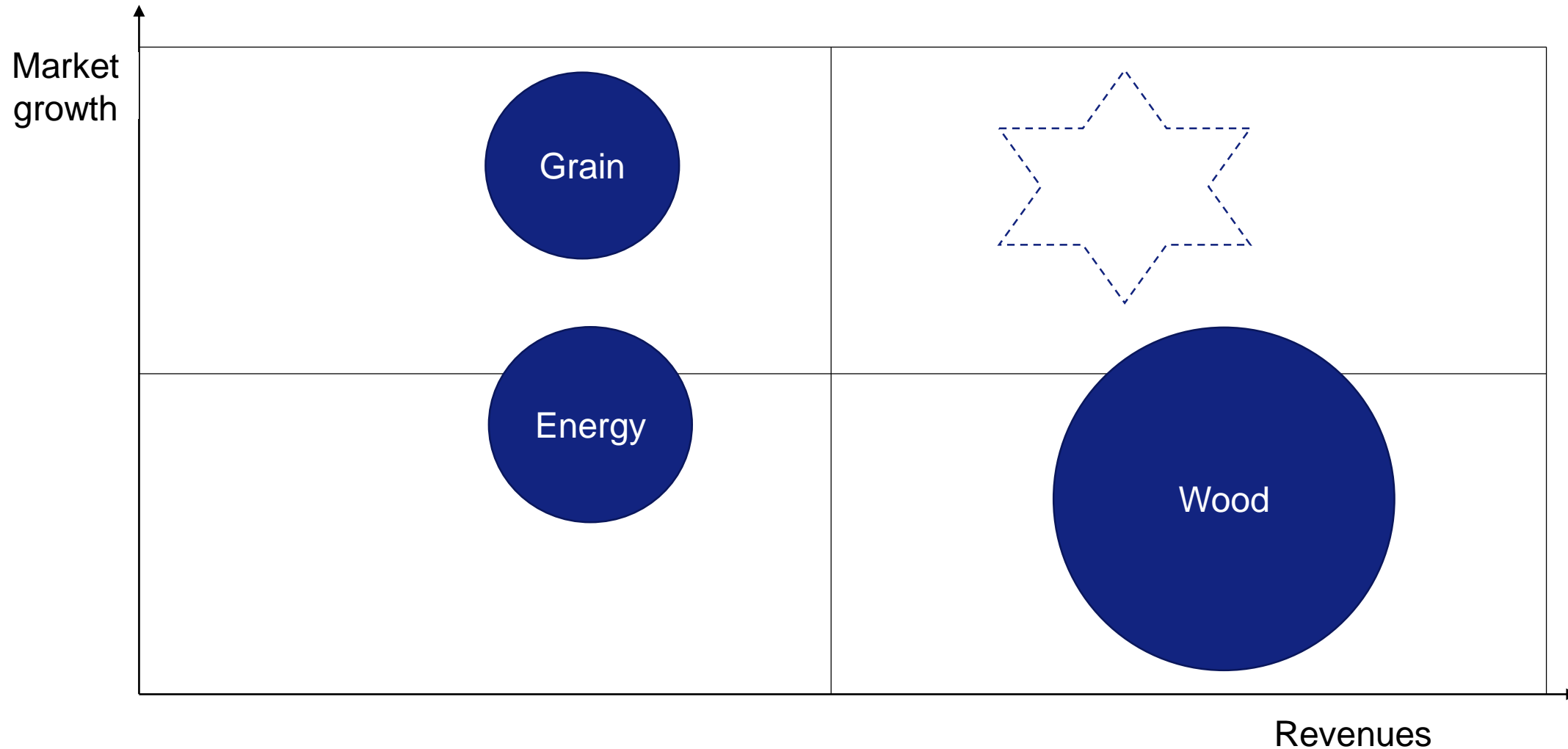
McGill StLaurent competencies

- Competitive advantage in traditional business through:
 - Quality relations
 - Highly reliable logistics with on-time delivery
- Energy market with high entry barriers
- Risk reduction through diversification

The three business units offer different opportunities and face different challenges for the company

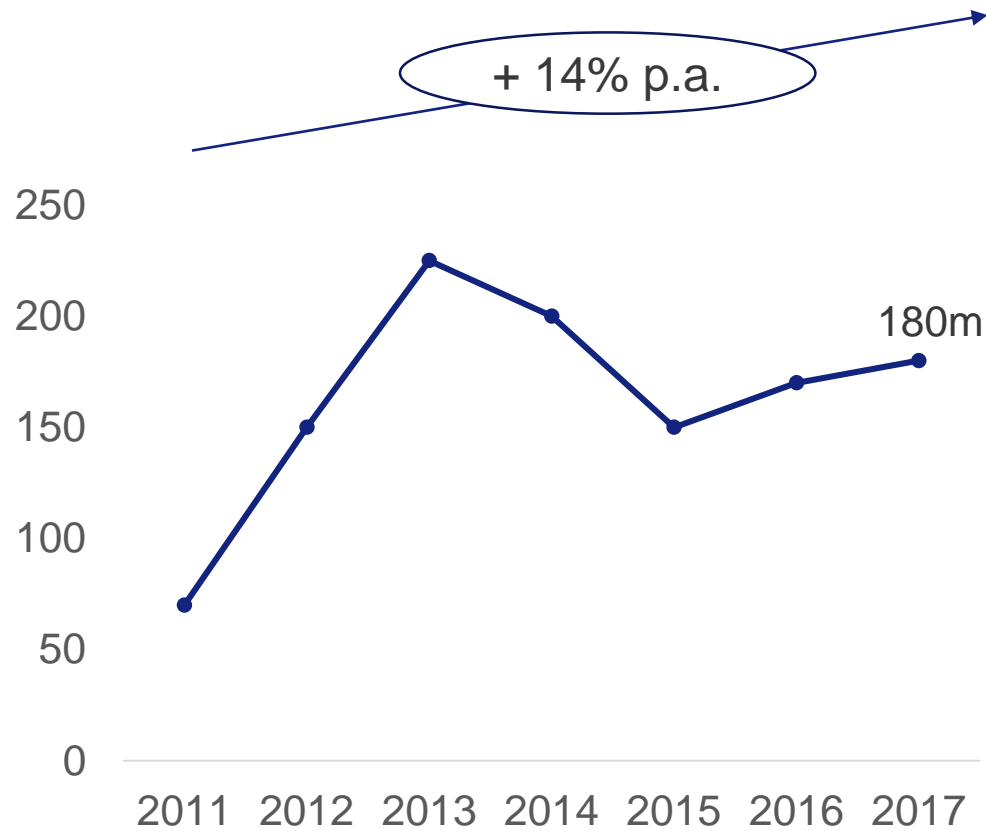


Company's success is based on the three business units but adding a new business offers great opportunity of market growth



Revenues increased within adding new business units while CWP remaining the main source

Revenues



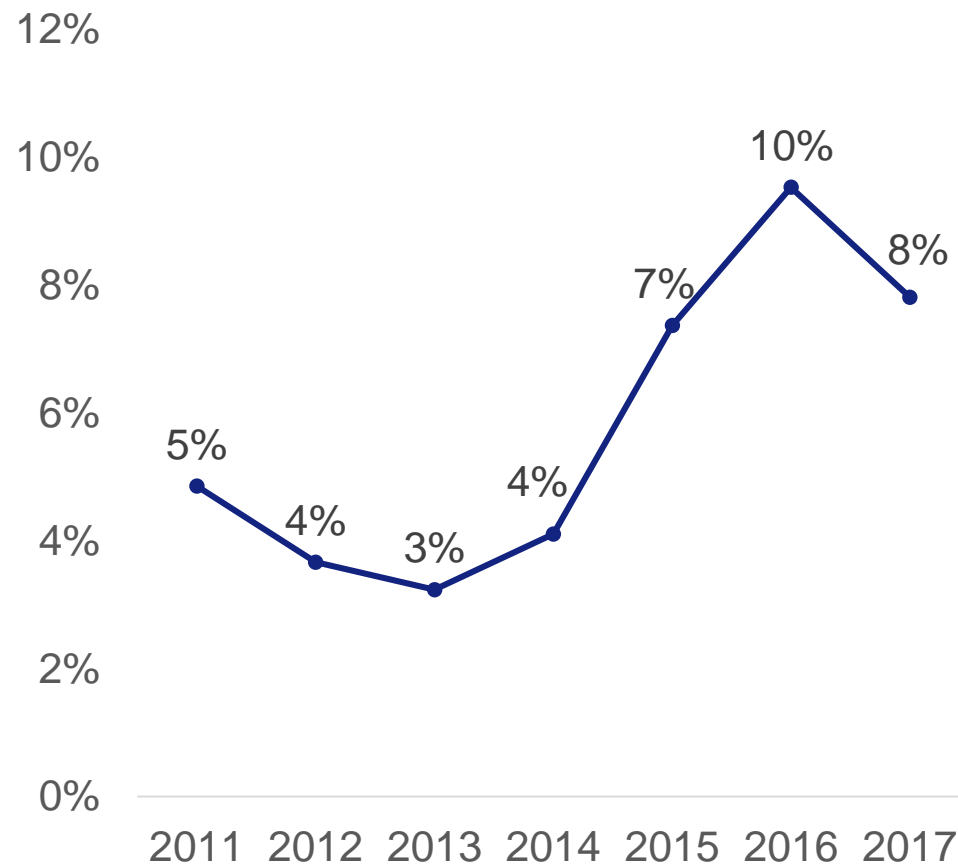
In million CAD

Revenues divided by business units

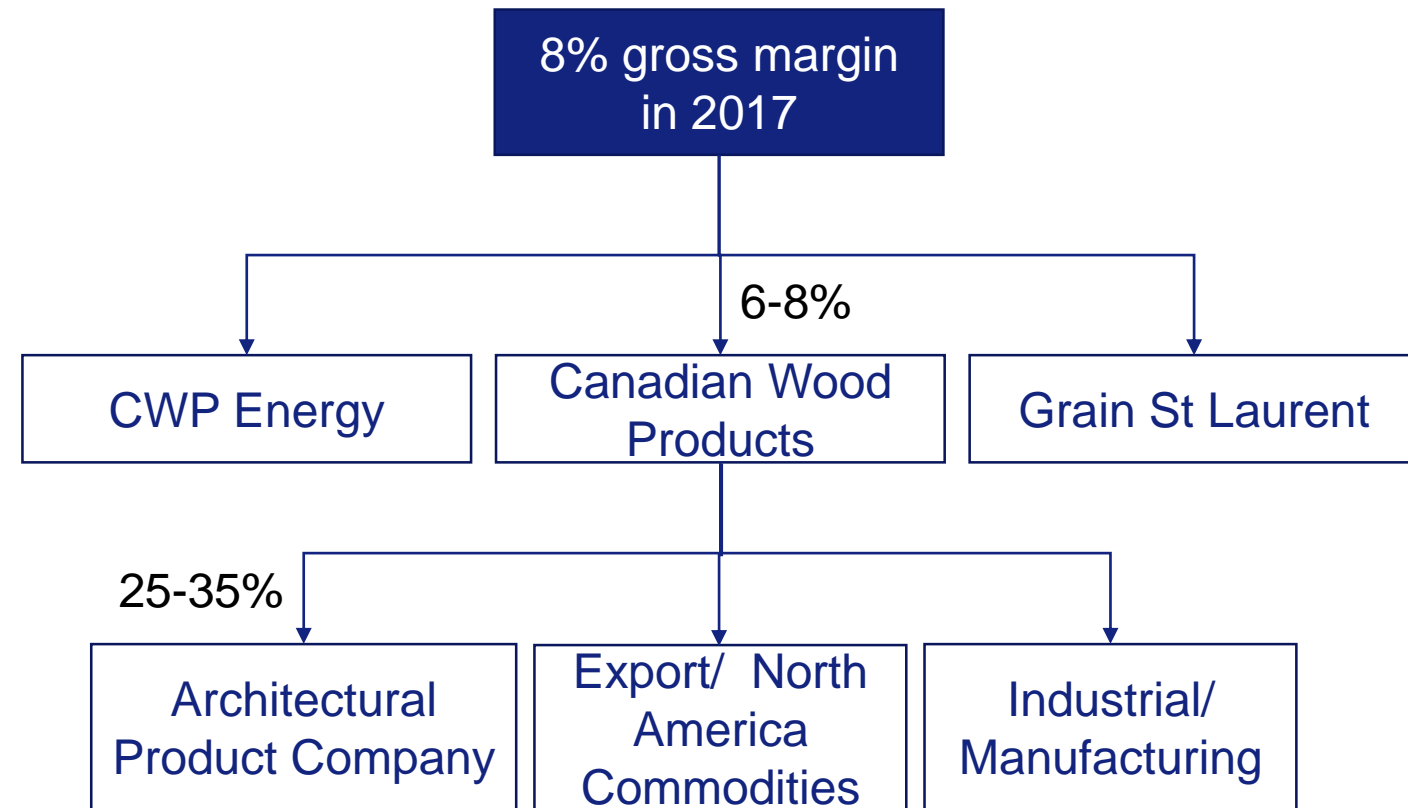


Gross margin increased with establishing new division for Architectural Product Company

Gross margin



Revenues divided by business units

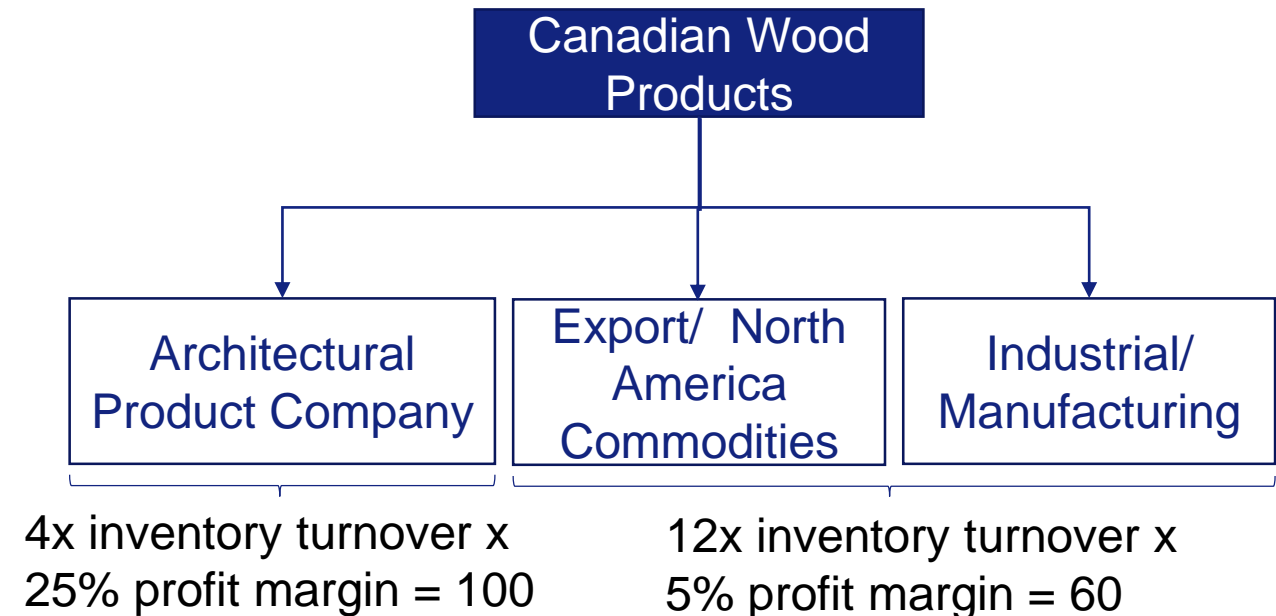


Cash Cycle Conversion and inventory turnover x profit margin as key drivers and architectural division has most efficient use of cash

Cash Cycle Conversion

- CAD 24m Net Working Capital
 - CAD 2m Accounts Receivables
 - CAD 14m Inventory
 - CAD 8m Accounts Payables
- Financed by credit line by...
 - ... 80% of Accounts Receivables
 - ... 50% of inventory

Inventory turnover x profit margin





Strategic alternatives

1

Market growth

2

Competitive advantage

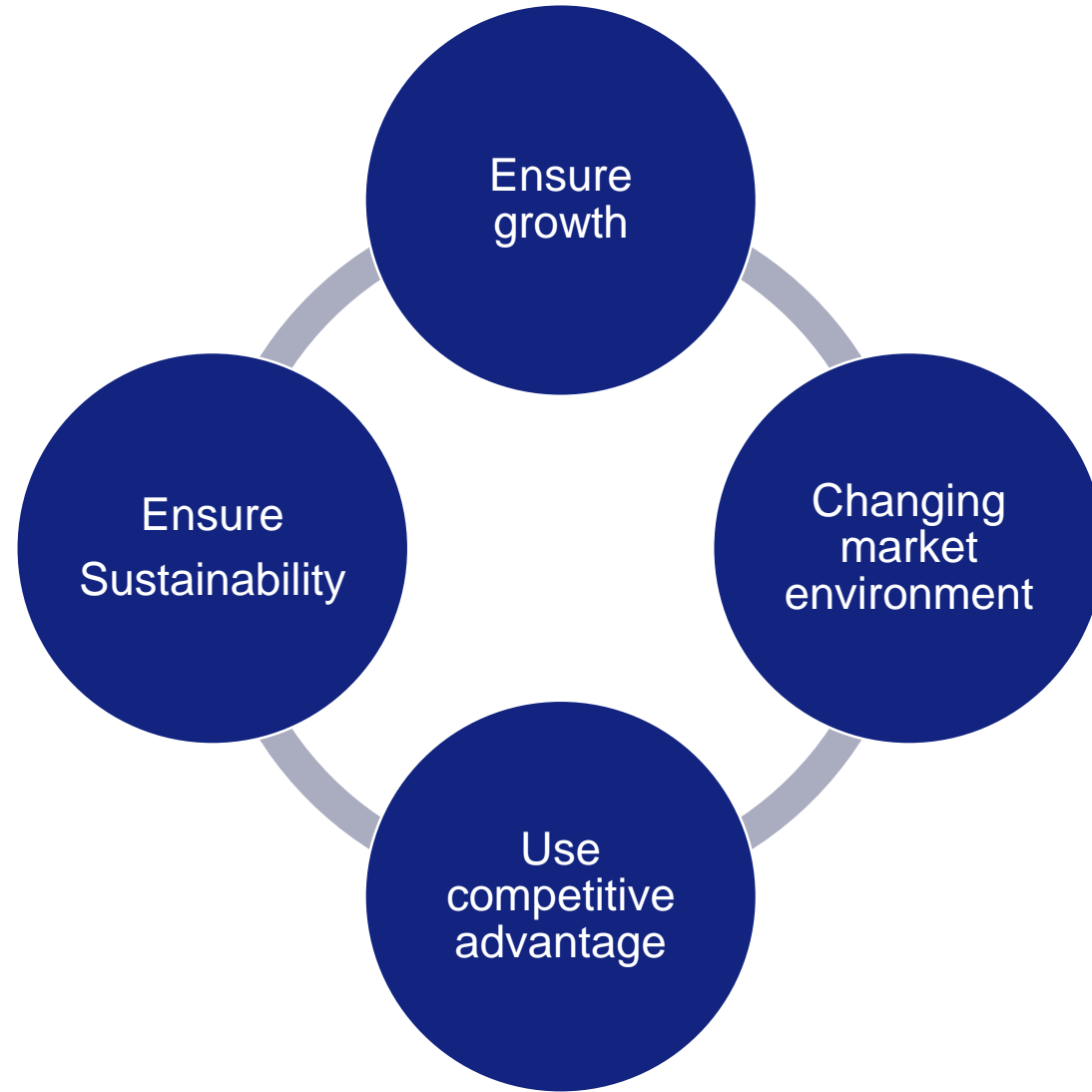
3

Sustainability

4

Risk diversification

Key Issues



Key issues serve as decision criteria for the evaluation of the strategic alternatives

1

Market growth

2

Competitive advantage

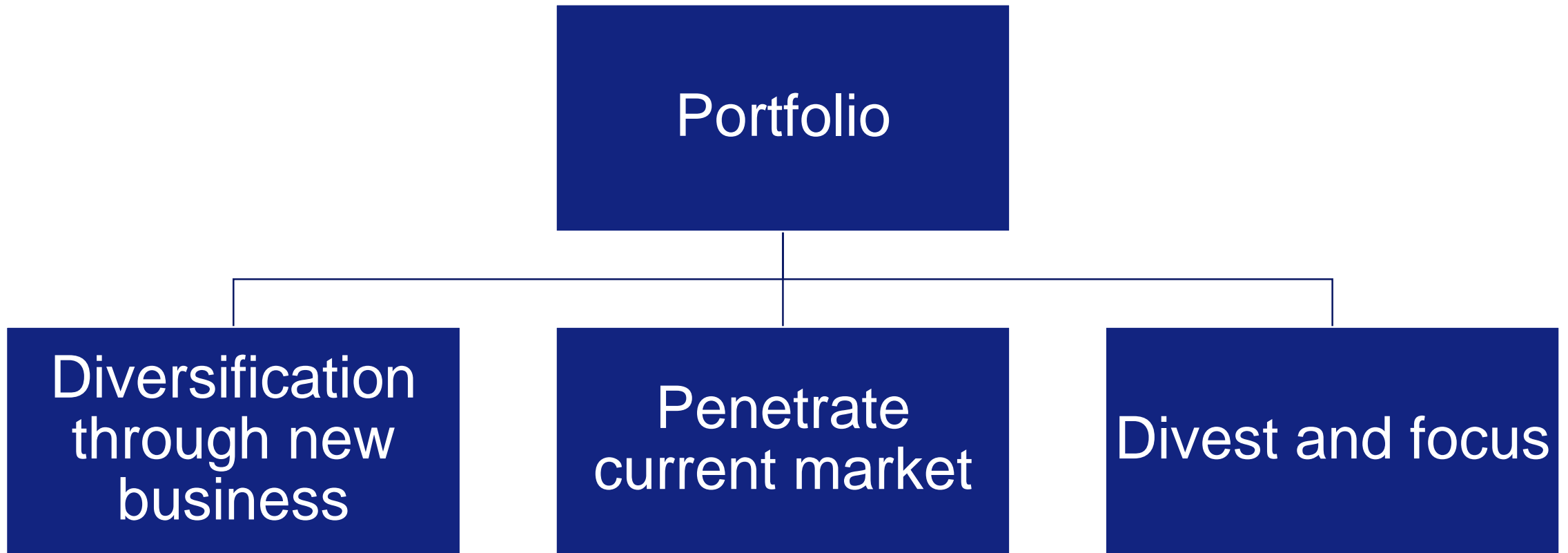
3

Sustainability
















4

Risk diversification

Overall three general strategic alternatives are available regarding the portfolio setup



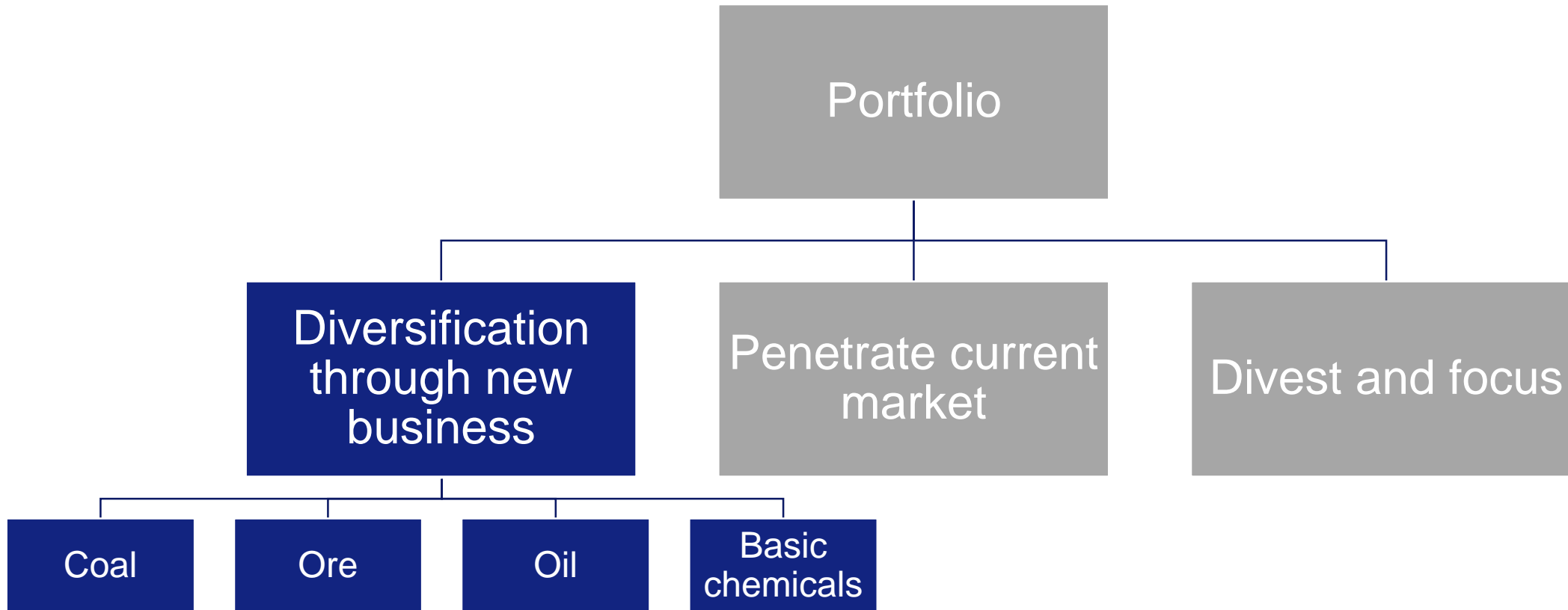
Overall three general strategic alternatives are available regarding the portfolio setup

		Diversification through new Business Units	Penetrate current markets	Divest and focus	
1	Market growth				 Good  Medium  Bad
2	Competitive advantage				
3	Sustainability				
4	Risk diversification				

Chose diversification through new business units offers great growth opportunity while being sustainable

		Diversification through new Business Units	Penetrate current markets	Divest and focus
1	Market growth	Green circle	Yellow circle	Yellow circle
2	Competitive advantage	Yellow circle	Green circle	Yellow circle
3	Sustainability	Green circle	Yellow circle	Red circle
4	Risk diversification	Green circle	Yellow circle	Red circle

Assessment of suitable commodity markets needed



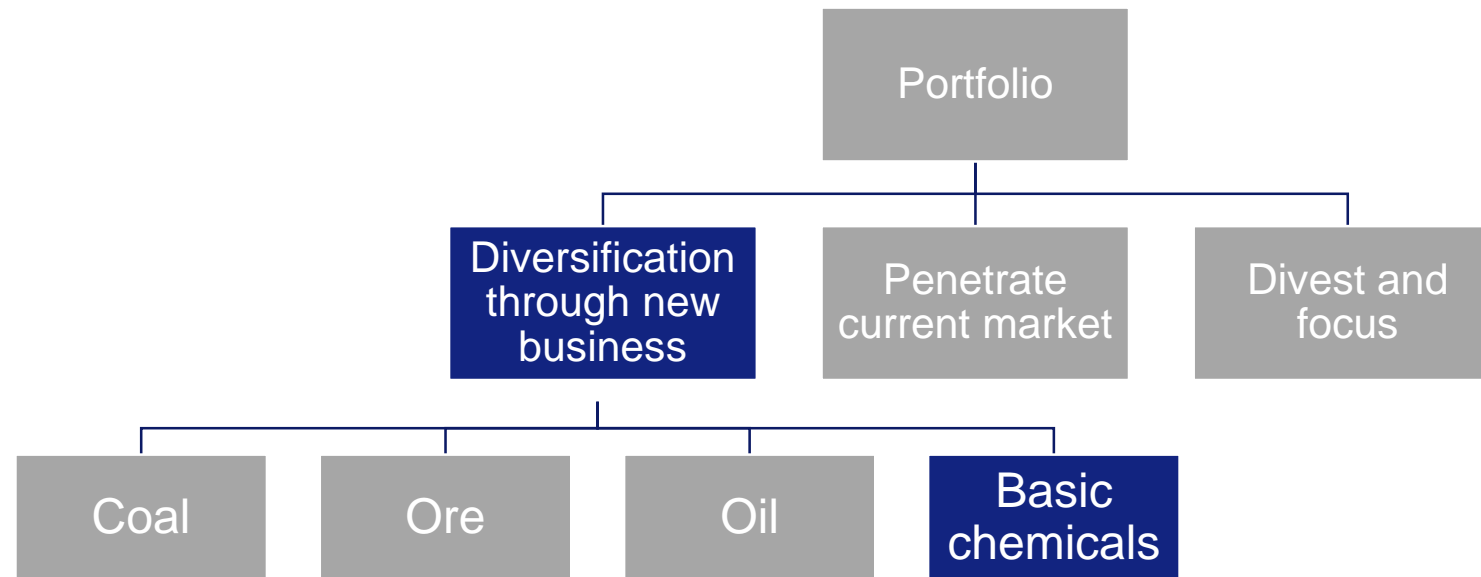
Key criteria are crucial for decision about which commodities offer best opportunity

	Coal	Ore	Oil	Basic chemicals
1 Market growth	Yellow	Green	Yellow	Green
2 Competitive advantage	Red	Yellow	Yellow	Yellow
3 Sustainability	Red	Yellow	Red	Green
4 Risk diversification	Red	Yellow	Yellow	Green

Basic chemical trading shows strong growth projections and long term business opportunity

	Coal	Ore	Oil	Basic chemicals
1 Market growth	Yellow	Green	Yellow	Green
2 Competitive advantage	Red	Yellow	Yellow	Yellow
3 Sustainability	Red	Yellow	Red	Green
4 Risk diversification	Red	Yellow	Yellow	Green

Basic chemical trading shows strong growth projections and long term business opportunity



1. Strong growth projections for chemical market
2. Leverage on ethanol producing customer to gain foot in market
3. Business model:
 - Buy big, sell small
 - Allow smaller companies to source products in smaller batches

Next to diversification through new business existing business units should not be disregarded

Grains

Technology enhancement

Market penetration

Geographical expansion

Wood

Technology enhancement

Market penetration

Geographical expansion

Energy

Technology enhancement

Market penetration

Geographical expansion

Grain: How should the grain market be tackled?

		Technology enhancement	Market penetration	Geographical expansion
1	Market growth	Yellow	Green	Yellow
2	Competitive advantage	Yellow	Green	Red
3	Sustainability	Green	Yellow	Yellow
4	Risk diversification	Red	Yellow	Red

Focus on market penetration for grain market to leverage economy of scale benefits

		Technology enhancement	Market penetration	Geographical expansion
1	Market growth	Yellow circle	Green circle	Yellow circle
2	Competitive advantage	Yellow circle	Green circle	Red circle
3	Sustainability	Green circle	Yellow circle	Yellow circle
4	Risk diversification	Red circle	Yellow circle	Red circle

Wood: How should the wood market be tackled?

		Technology enhancement	Market penetration	Geographical expansion
1	Market growth	Green	Yellow	Green
2	Competitive advantage	Yellow	Green	Red
3	Sustainability	Green	Yellow	Green
4	Risk diversification	Yellow	Red	Yellow

Leverage on AI capabilities form the energy sector to implement trading platform for wood products

		Technology enhancement	Market penetration	Geographical expansion
1	Market growth	Green	Yellow	Yellow
2	Competitive advantage	Yellow	Yellow	Red
3	Sustainability	Green	Green	Yellow
4	Risk diversification	Yellow	Red	Red

Energy: How should the energy market be tackled?

		Technology enhancement	Market penetration	Geographical expansion
1	Market growth	Green	Yellow	Green
2	Competitive advantage	Yellow	Green	Red
3	Sustainability	Green	Yellow	Green
4	Risk diversification	Yellow	Red	Yellow

Further increase use of IT know how to tackle the energy trading market

		Technology enhancement	Market penetration	Geographical expansion
1	Market growth	Green	Yellow	Green
2	Competitive advantage	Yellow	Green	Red
3	Sustainability	Green	Yellow	Green
4	Risk diversification	Yellow	Red	Yellow

Overview of strategic suggestions for existing business units

Grains

Market penetration

- Increase market penetration through headcount increase

Wood

Technology enhancement

- AI to simplify order process
- Allow employees to engage stronger with customer

Energy

Technology enhancement

- Leveraging on current capabilities
- Further increase IT know how

Implementation tackles three business units

1

Diversification in Trading basic chemicals

2

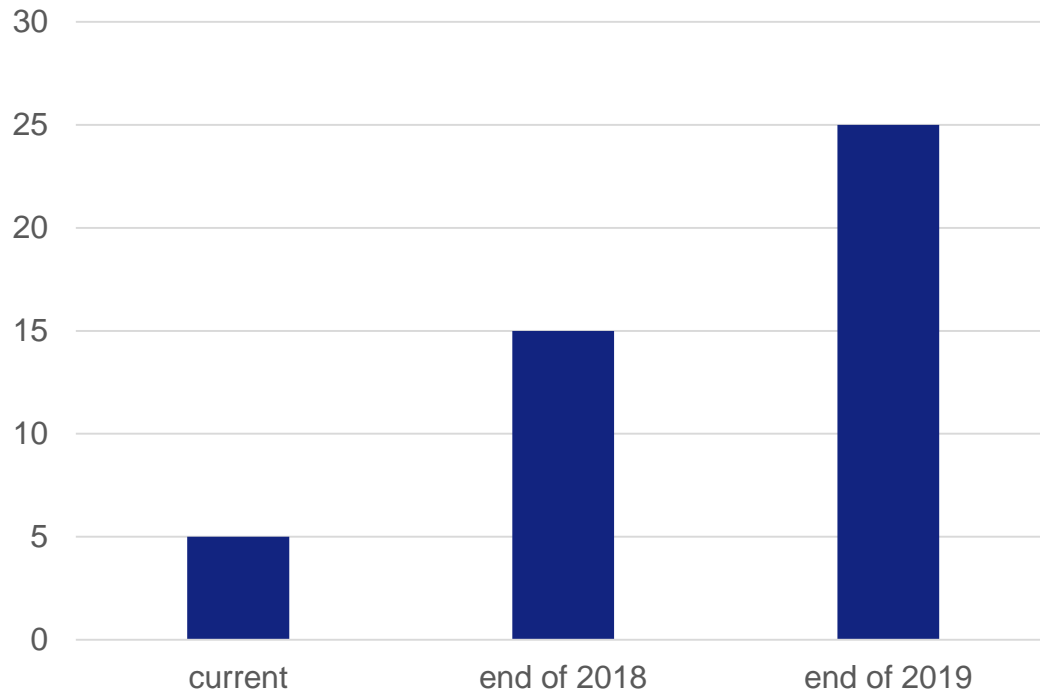
Business unit grain: market penetration

3

Business unit: wood using a trade platform with AI

Triple workforce in grain business unit to achieve ambitious revenue growth

Employees in grain business unit



Assumptions:

- Round about \$ 80,000 per employee in this unit per year

Costs:

- \$ 800,000 in 2018
- \$ 800,000 in 2019

How:

- LinkedIn recruiting
- Connect with universities

Implementation tackles three business units

1

Diversification in Trading basic chemicals

2

Business unit grain: market penetration

3

Business unit: wood using a trade platform with AI

What does the technology enhancement in the wood market look like?

Challenge

How to envision your success in the trading market?

Our idea

Engage stronger with your customers with increased AI

Implement trading platform allowing employees to engage deeper with customer

Benefits of Platform

- Easy ordering of day to day business
- Algorithm analyses customer habits
- Orders on regularly basis will be saved and customer will be alerted
- Overview of all sold products
- AI helps employees dynamic pricing

Benefits for Employees

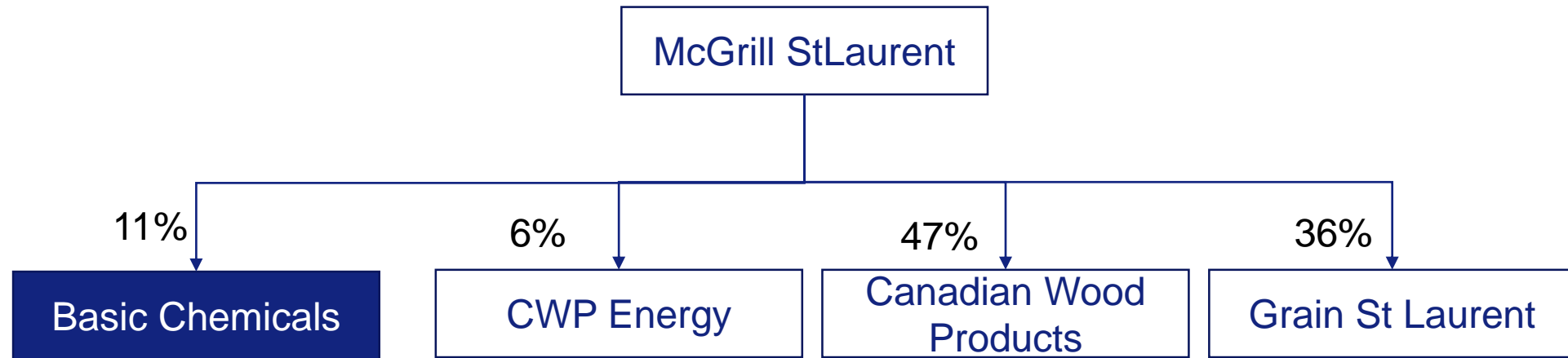
- More time to engage with customer beside from day to day business
- Discuss future plans
- Analyse new business opportunities

Implementation costs of \$ 3,8 in the first year

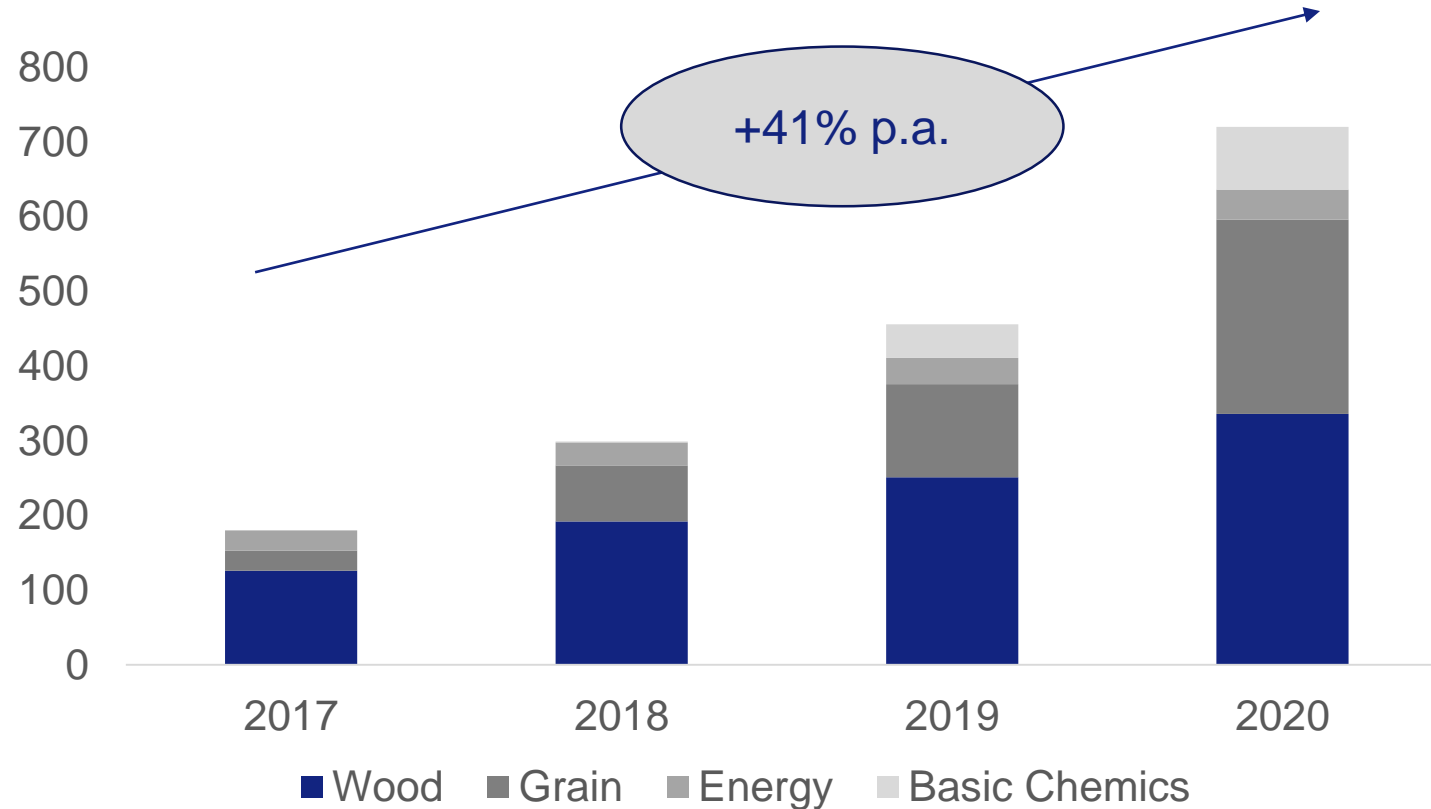
Activity	2018				Costs 2018
	Q1	Q2	Q3	Q4	
Diversification in Trading basic chemicals <ul style="list-style-type: none">• Traveling, networking• contracting				x	\$ 1,000,000
Business unit grain: market penetration <ul style="list-style-type: none">• staffing			x		\$ 800,000
Business unit: wood using a trade platform with AI <ul style="list-style-type: none">• IT competencies				x	\$ 2,000,000
					\$ 3,800,000



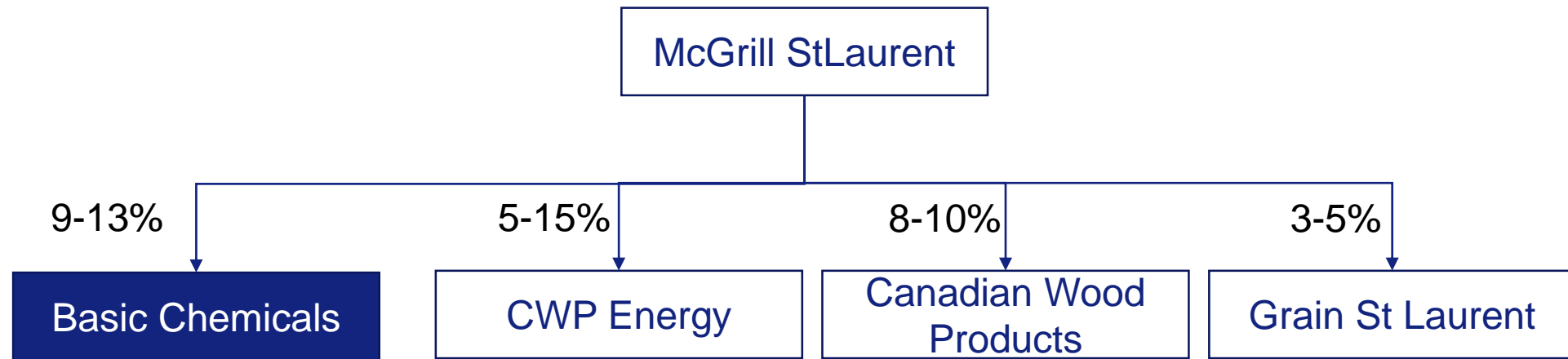
Revenue sources will be more diversified while CWS remains the main source



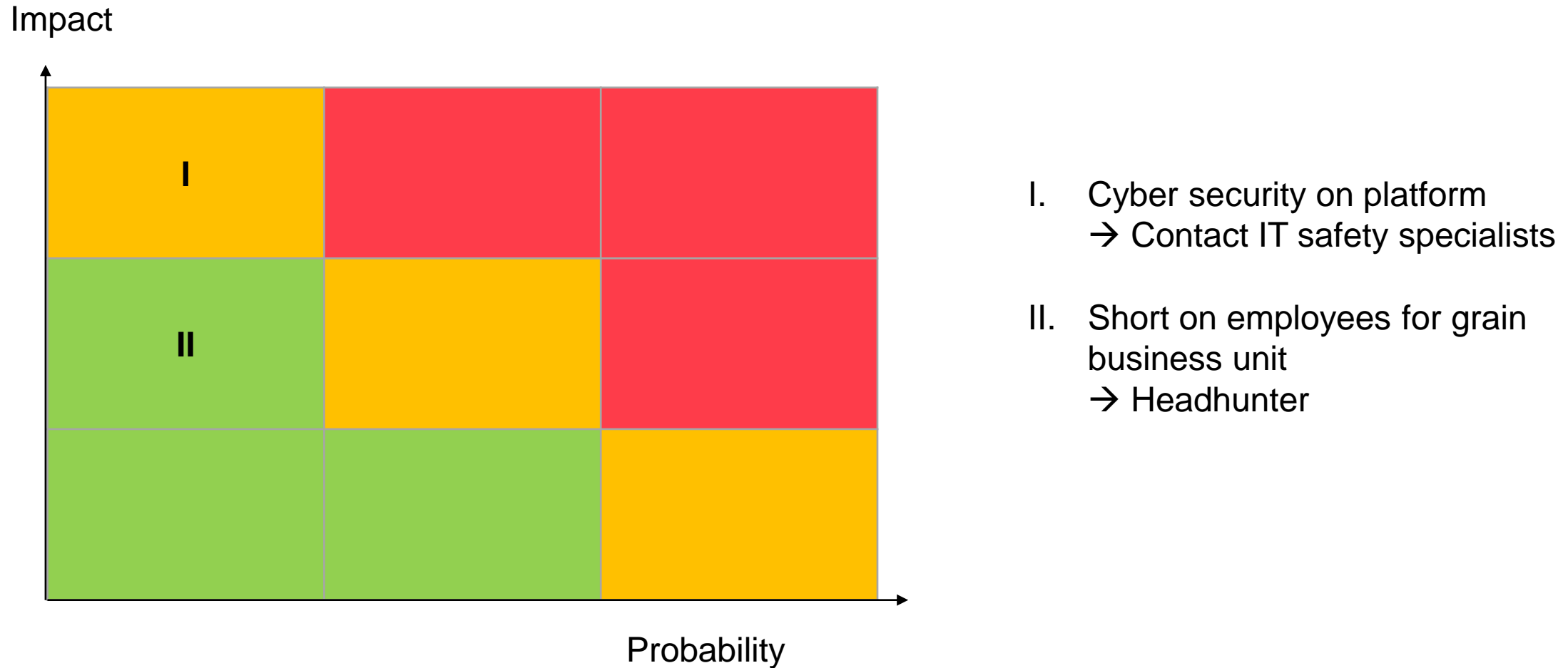
Revenue will increase by 41% p.a. for the next 3 years



Basic Chemicals as new business unit will achieve high gross margin



Risks and mitigation



- 
- Situation Analysis
 - Strategic Alternatives
 - Implementation
 - Financials
 - Executive Summary**

Executive summery

Action

1. Diversify into basic chemical trading business
2. Push grain market penetration through aggressive recruiting
3. Increase AI know how and set up trading platform for wood business

Timing

1. Starting Q4 2018
2. Q3 2018
3. Starting Q4 2018

Results

1. Gain high margins from new business unit
2. Revenues will be 5 times higher
3. Technology can be used to engage better with customers and become more efficient

