

McGILL StLAURENT

Where to next?

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Key Issues

Technology advances will lead to disruption in the industry

Is diversification into other business ventures attractive?

Capital funding

Recommendation

Heavily invest in IoT technology

Diversify into Mining industry

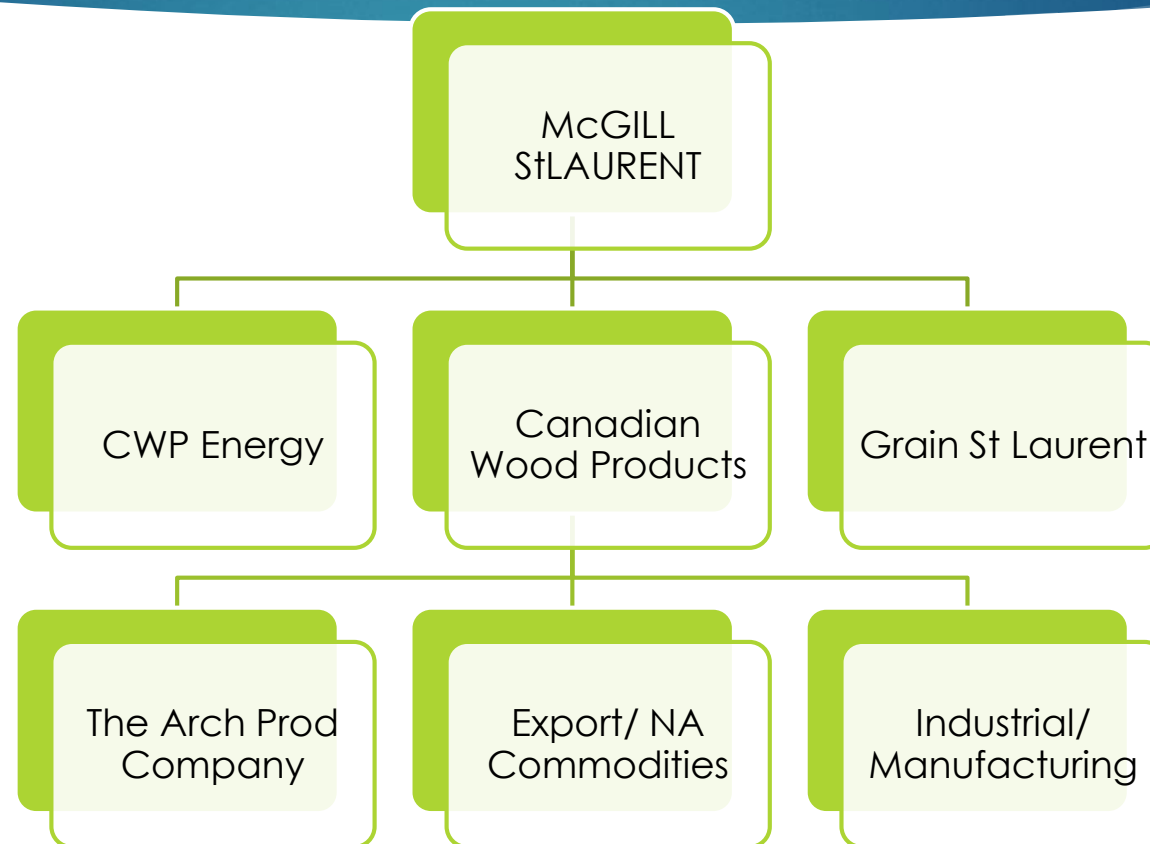
Sell GRAIN St Laurent

Targeted performance metrics

- \$17-18 m EBITDA by 2021
- ROIC of 35%
- \$50 m in gross margin by 2020
- Inventory to margin metric of 60
- Minimize cash cycle

ANALYSIS

McGILL StLAURENT Ecosystem



Wood and Energy are the Best Performers

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Core Competency Analysis

Relationship Management

- Quality relationships with suppliers and customers
- Versatile solutions to end-user

Supply Chain Management

- On time delivery with highly reliable logistics providers
- Vendor managed inventory management

Brand Management

- Strong brand image and recognition
- Experience and knowledge to make right market decisions

Risk Management

- Best of class risk management
- Flexibility and ability to adapt to changing market

Disruptive Emerging Trends

Blockchain

- Instantaneous transaction verification
- No middle man involved
- Open source technology
- Huge disruption potential in trading transactions

Real threat to eliminate/ drastically change commodity trading

Disruptive Emerging Trends

Internet of Things (IoT)

- Interconnected network of devices connected to internet
- Harness real time information
- Track key performance metrics across functions

▶ **Allows for a new realm of advanced data analytics**

Alternatives

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Alternatives explored

Alternatives	Market disruption potential	Product Market Diversification	Capital Funding requirements	Core competency
Enter battery storage space	Green	Yellow	Red	Red
Invest in IoT	Green	Yellow	Yellow	Green
Enter Mining industry	Yellow	Green	Yellow	Green

Recommendation

Invest in IoT

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How to respond to threat of Blockchain

- ▶ Enhance “virtual manufacturing” offering to customers
- ▶ Harness real time inventory information
- ▶ Track key performance metrics across functions
- ▶ Better prediction of demand in markets

Enter Mining industry

- ▶ Best utilization of current core competencies as a business
- ▶ Leverage relationships on supply and demand sides
- ▶ Further extension of logistics and distribution strengths
- ▶ Proximity to one of the largest mining environments

Implementation

Timeline

	6 months	1 year
Sell GRAIN St Laurent		
Develop IoT tech team	0-2 months	
Reassess current VMI relationship and identify solutions	0-4 months	
Begin deploying IoT solutions at VMI customers		
Identify mining suppliers and build relationships		
Utilize data for predictive analytics		

Financials

Assumptions

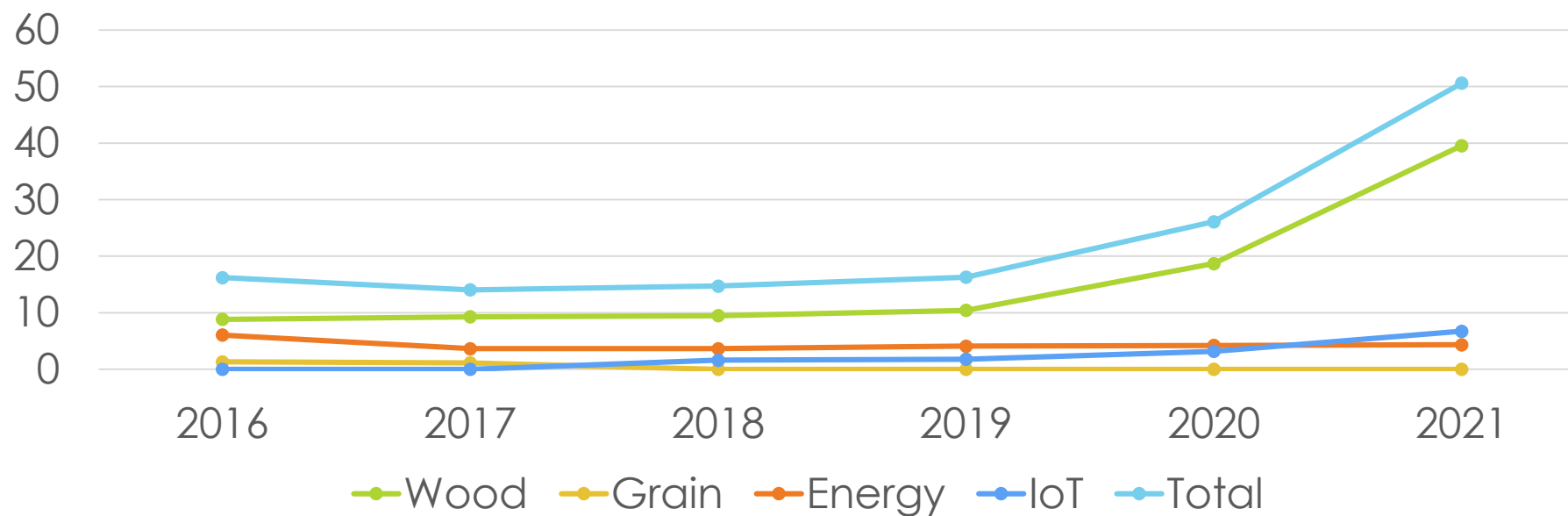
- ▶ 2% Annual Growth rate in Grain and Wood business
- ▶ Energy growth follows 5 year average trend
- ▶ EBITDA margin, operating costs as % of gross profit, and gross margin = 2017
- ▶ Depreciation and interest expense is fixed
- ▶ Tax Rate is 30%
- ▶ IoT drives Wood differentiation, resulting in growth along 5 yr. trend

2021 Financial Snapshot

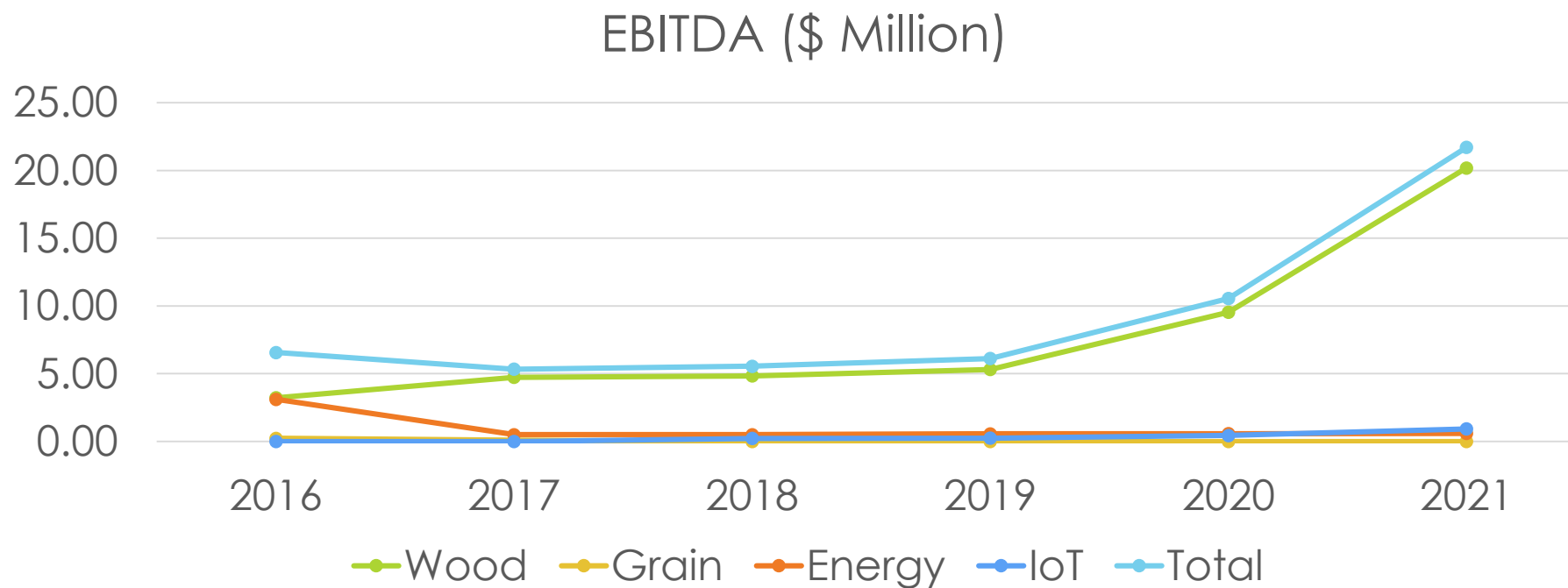
Metric	Value (\$ Million)
EBITDA	21.7
ROE	113%
Gross Profit	50.6
Inventory Turns X Margin	68

IoT will Drive Gross Profit in Wood

Gross Profit (\$ Million)



Gross Profits' Growth leads to EBITDA growth



How will McGill St Laurent Pay for IoT Development

- ▶ Sell Grain Business
 - ▶ Expect **\$1.6 million** from Transaction

Sources	\$ Millions	Uses	\$ Millions
Sale of Grain Business	1.6	Development	.6
		Staffing (5 Developers for 1 year)	.75
		Administrative	.25

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- Sell GRAIN St Laurent

Results

- Gross margins over \$50 m
- EBITDA \$19 million

- ▶ Technology advances will lead to disruption in the industry
- ▶ Is diversification into other business ventures attractive?
- ▶ Capital funding
- ▶ Heavily invest in IoT technology
- ▶ Diversify into Mining industry
- ▶ Sell GRAIN St Laurent