



# McGILL STLAURENT

Data: The New & Improved Commodity

EASTERN EDGE CONSULTING

MEMORIAL UNIVERSITY

# Agenda

- ▶ Analysis Krista
- ▶ Alternatives Priyank
- ▶ Recommendation
- ▶ Implementation Jeff
- ▶ Financials Chris
- ▶ Risks & Mitigations Krista
- ▶ Conclusion

# Our Purpose

**To help McGill St Laurent  
determine where they should  
take their business to ensure  
growing profits.**

# Key Issues

Volatile commodities

Impending industry disruption

How to grow

# Key Objectives

- Diversify the business
- Be an industry disruptor
- Ensure consistently growing profits

# Recommendation

**McGill St Laurent should grow their business by positioning themselves at the forefront of the data commodity market.**

# Analysis

# External Analysis

## Commodity Markets

- Oil & Gas
- Minerals
- Livestock
- Electricity
- Data



# External Analysis

## Commodity Markets

- Oil & Gas – too volatile
- Minerals – too volatile
- Livestock – insufficient diversification
- Electricity – existing business line
- Data – emerging market

**Data presents significant opportunity**

# External Analysis – Why Data?

## Big Data

- Will cause industry disruption
- Relied on by Artificial Intelligence
- Is the way of the future

## Demand from:

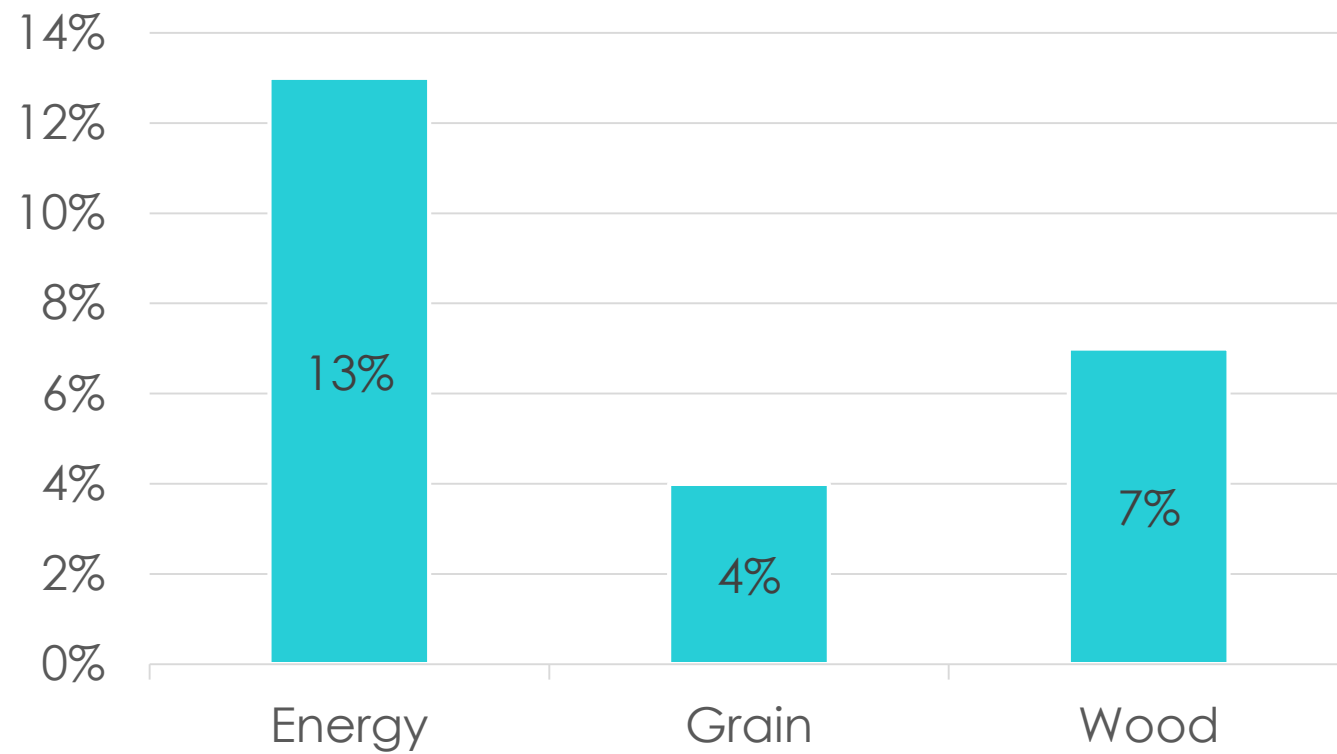
- Companies
- Governments

Potential for high margins

**Data presents profitable, industry disrupting opportunity**

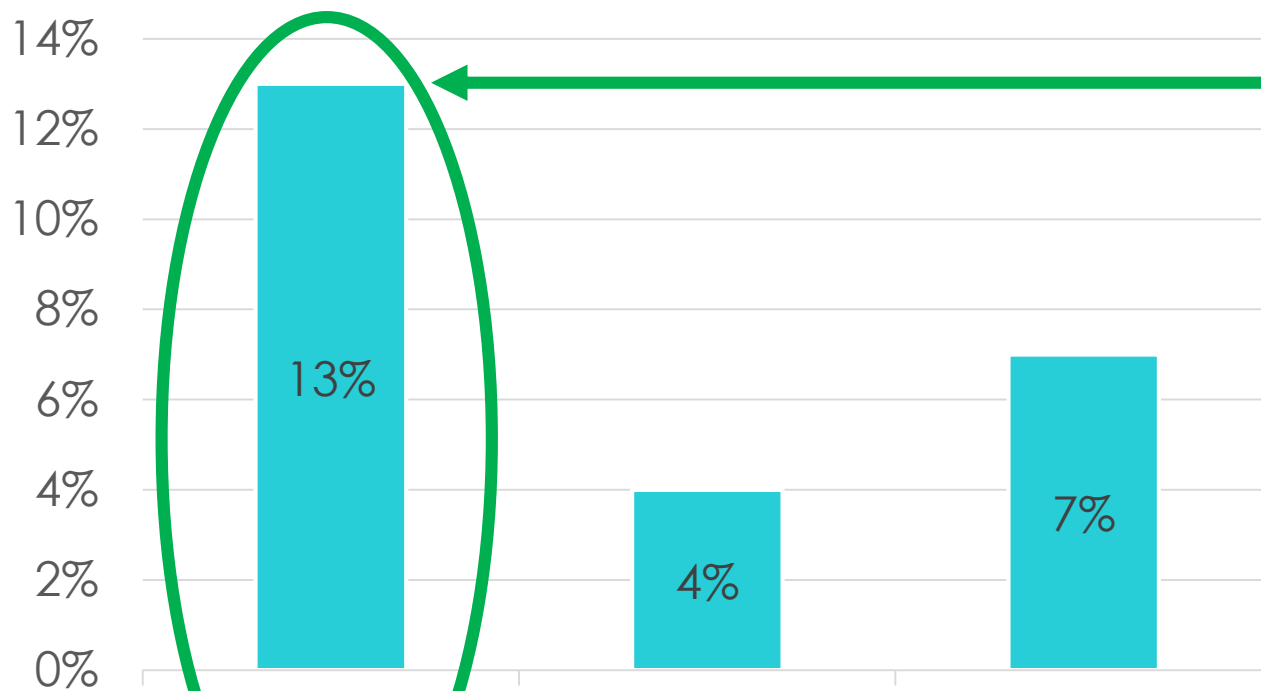
# Internal Analysis

Profit Margin by Division



# Internal Analysis

Profit Margin by Division

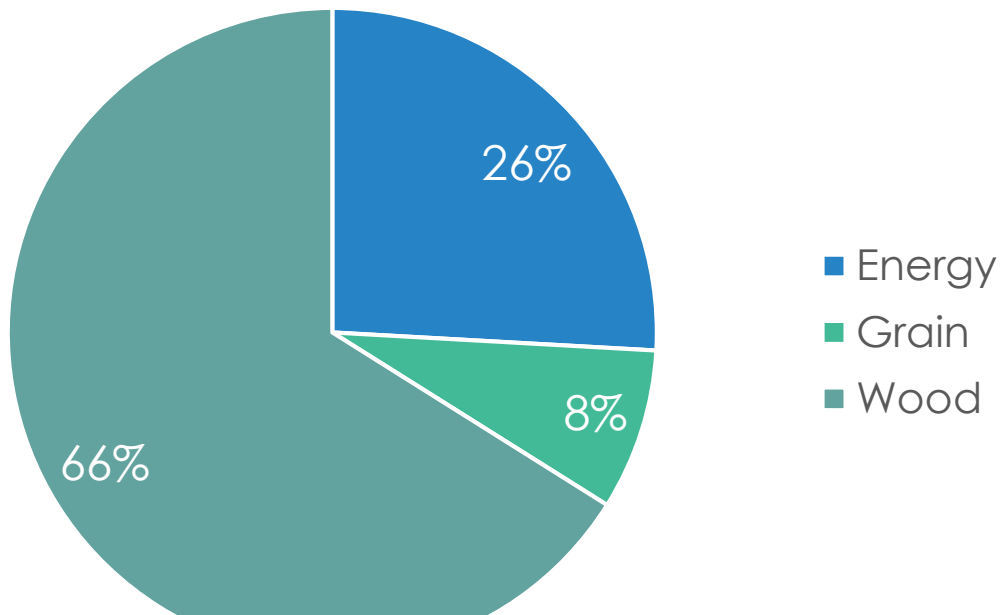


Non traditional  
division has  
highest margins  
for now

**Data is a commodity with highest margin potential**

# Internal Analysis

Gross Profit Breakdown 2017



- Primary business:
  - Wood products
- Threat:
  - NAFTA changes

**Main revenue stream is at risk**

# Internal Analysis

Vision

Build

Feed

Power

Data will be a building block of society, it will feed our lives, and power our world.

# Alternatives

# Alternatives



Vertical integration



Diversify geographically




Data Trading Division



# Vertical Integration

- 
- Reduced cost
  - Improved margins
  - Past experience in Canadian Woods division

- 
- Expensive
  - Limited farming experience
  - Limited opportunity
  - Government regulations in energy
  - Cash intensive
  - Human resource intensive

# Diversify Geographically



- Available potential
- Past experience
- Potential for high margins

- Past issues in Africa and India
- Location constraint on owners
- Strained relationships
- Expensive
- Requires substantial investment
- Low margins

# Data Trading Division



- High growth & margin potential
- Growing demand
- Emerging market
- Exponentially improving big data technology
- Potential existing customers with relationship
- Low cost and resource requirements

- New and unproven business line
- Low barrier to entry
- Cost of trading platform set up

# Decision Matrix

	Vertical Integration	Geographical Diversification	Data Trading Division
Diversifies Business	X	✓	✓
Profit Growth Potential	✓	✓	✓
Industry Disrupter	X	X	✓
Probability of Success	✓	X	✓



# Recommendation

# Recommendation

**McGill StLaurent should grow their business by positioning themselves at the forefront of the data commodity market.**

# Implementation

# Implementation Summary

Year 1

- Building Capability

Year 2

- Deployment

Year 3+

- Transform the Trading Industry



# Data Types

Health

GPS

Electricity  
Usage

Buying

Weather

Many types of data available

# Data Users

Marketing  
Firms

Governments

Investors

Product

Shipping

Users want the data

# Process Overview



Same process, new commodity

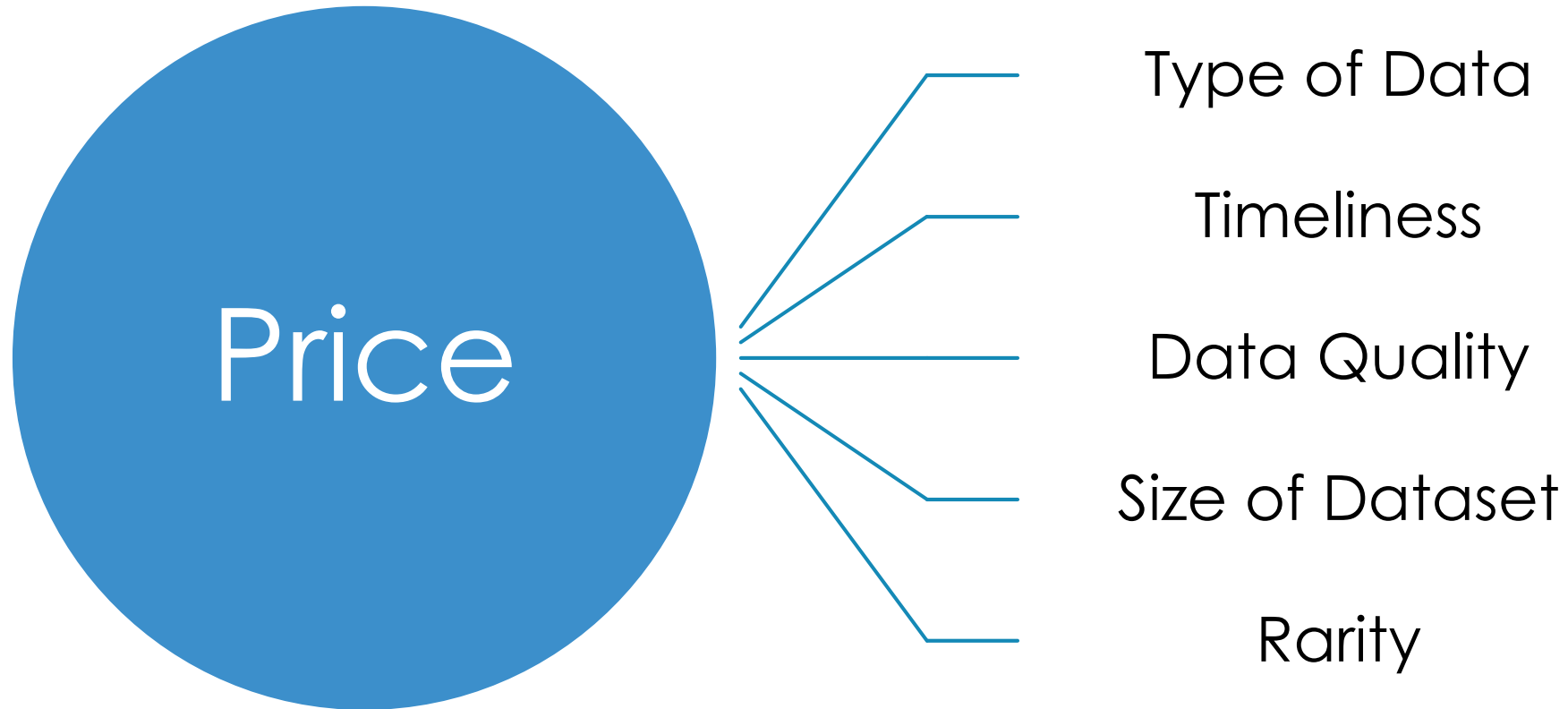
# Why McGill St Laurent?

Best People

Trading  
Experience

Lasting  
Relationships

# Framework Example



# Building Capability

Hire 5 big data subject matter experts



Attach to existing R&D team



Develop and refine big data trading framework

# Staged Deployment – Building Trading Team

3 Traders

Located in  
Montreal

Tech  
Savvy

Creative

Reduce risk by staffing team

# Staged Deployment – Industry Focus

Year 2

Begin by targeting existing relationships

Logistics Providers

Farmers

Additional Income + Improved Supply Chain



# Transform the Trading Industry

Leverage big data to improve other business lines

- Artificial Intelligence
- Machine Learning
- Market Identification

Positioned to disrupt

# Financial Analysis

# Cost

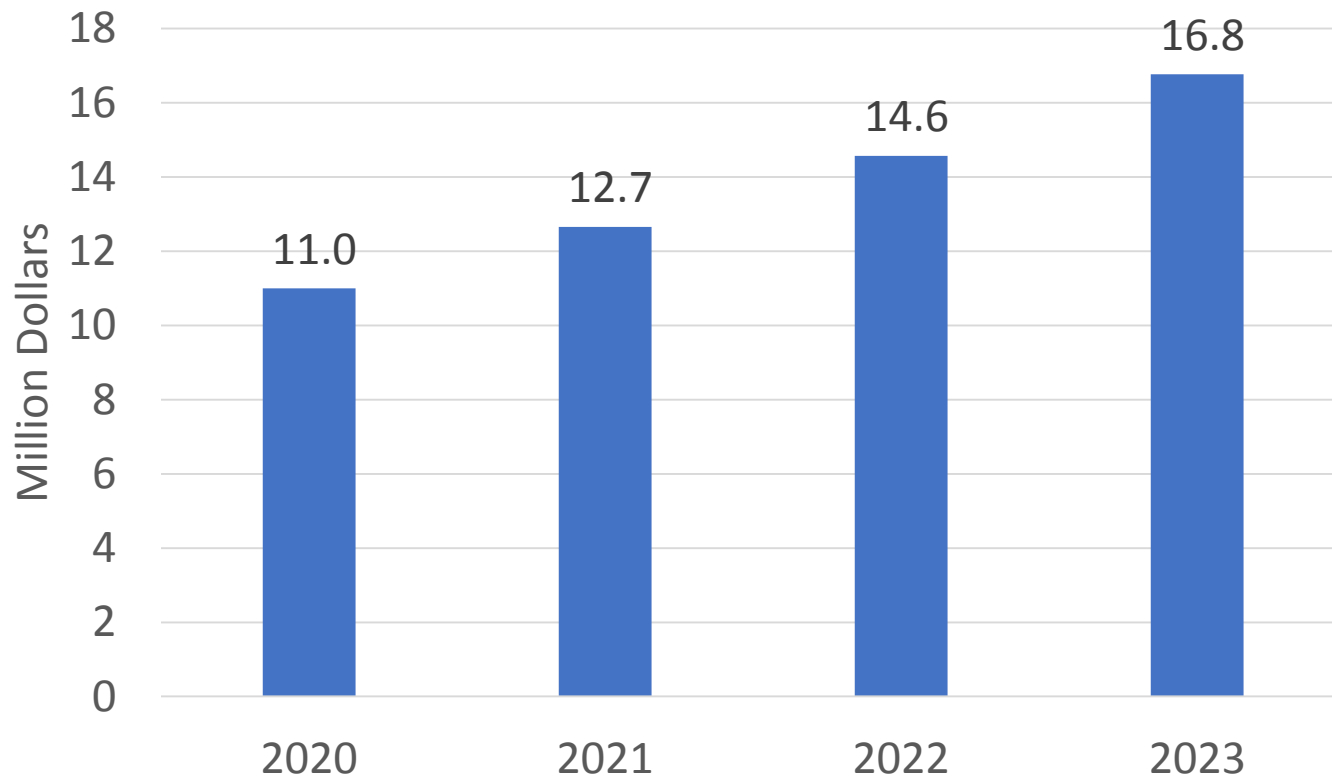
## Project Expenditure

Initial project expenditure	\$	100,000
Salary	\$	830,000
<hr/>		
- 3 Traders	\$	330,000
- 5 R&D Personnel	\$	500,000
<b>Total</b>	<b>\$</b>	<b>930,000</b>
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**Source of funds:** Retained earnings

# Revenue Projections

Revenue Growth for Data Trading Division



## Consideration:

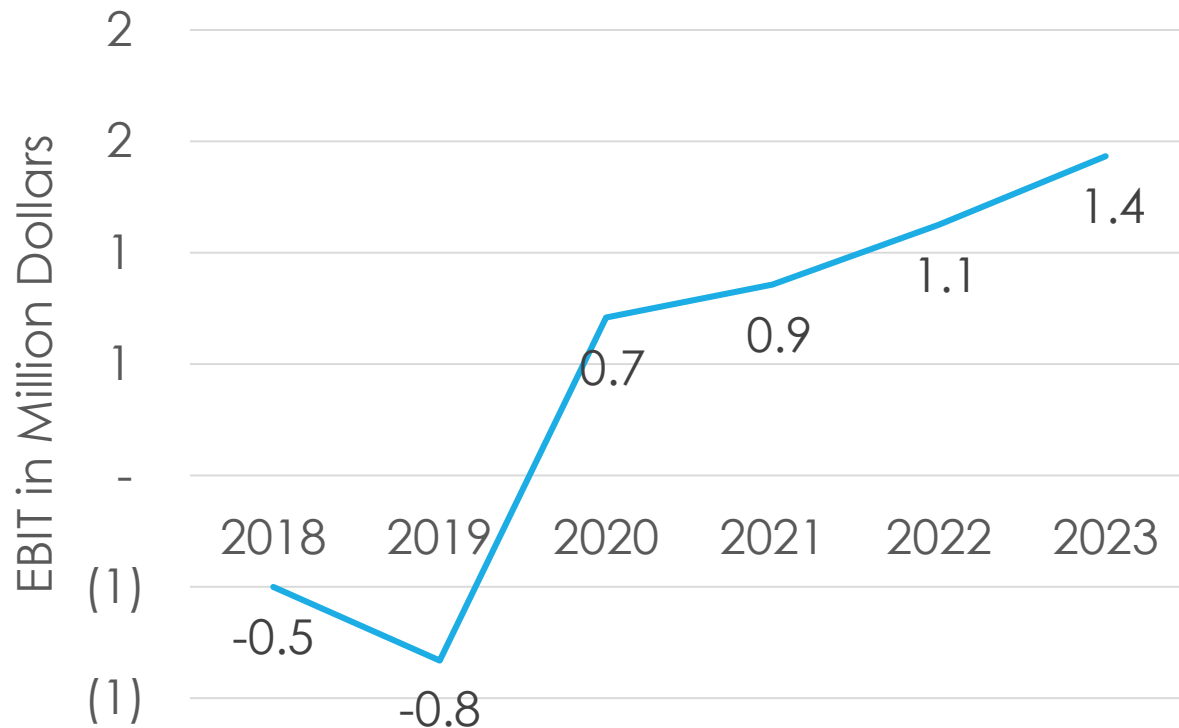
500 Customers in 2020

15% YoY growth

\$22,000: revenue per customer

# EBIT Projections

EBIT Growth



## Key Drivers

IRR: 40%

- No need for inventory
- Greater control over cash conversion cycle



# Risks and Mitigation

# Risks & Mitigations

Risk	Rank	Mitigation
Market Volatility	High	<ul style="list-style-type: none"><li>• Ongoing due diligence</li><li>• Phased approach</li></ul>
Privacy regulations	Medium	<ul style="list-style-type: none"><li>• Avoid extremely sensitive data</li><li>• Leverage cyber security technologies</li></ul>
Competition	Medium	<ul style="list-style-type: none"><li>• Forge meaningful relationships with customers</li></ul>



Conclusion



# What Good Looks Like

- ✓ Diversify the business
- ✓ Be an industry disruptor
- ✓ Ensure consistently growing profits

# Conclusion

Competitive  
Advantage

Meaningful  
Relationships

New Division

Data  
Trading

McGILL  
StLAURENT

**Success!**






# Thank You

▶ Questions?

# Plan B: Vertical Integration

- 
- Reduced cost
  - Improved margins
  - Past experience in Canadian Woods division

- 
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# Appendix

	2018	2019	2020	2021	2022	2023	
# of customers			500	575	662	762	
Revenue per customer			\$ 22,000	\$ 22,000	\$ 22,000	\$ 22,000	
Total revenue			\$ 11,000,000	\$ 12,650,000	\$ 14,564,000	\$ 16,764,000	15%
Gross profit margin	\$ -	\$ -	\$ 2,200,000	\$ 2,530,000	\$ 2,912,800	\$ 3,352,800	20%
Salary	\$ 500,000	\$ 830,000	\$ 830,000	\$ 913,000	\$ 913,000	\$ 913,000	10%
Other administrative expenses			\$ 330,000	\$ 379,500	\$ 436,920	\$ 502,920	3%
Marketing and distribution expenses			\$ 330,000	\$ 379,500	\$ 436,920	\$ 502,920	3%
EBIT	-\$ 500,000	-\$ 830,000	\$ 710,000	\$ 858,000	\$ 1,125,960	\$ 1,433,960	
EBIT Margin			15.5	14.7	12.9	11.7	
Net Profit	-\$ 500,000	-\$ 500,000	\$ 497,000	\$ 600,600	\$ 788,172	\$ 1,003,772	30%
IRR	40%						