



# McGill St. Laurent

ORT Consulting Group

# Situation

- ▶ Profitable Commodities company
  - ▶ Grain
  - ▶ Energy
  - ▶ Wood and lumber
    - ▶ Design wood production
    - ▶ Export
    - ▶ Industrial custom cut wood
- ▶ Common factors between different businesses
  - ▶ Logistics
  - ▶ Customer service

# Complication

- ▶ High number of competitors
- ▶ Products demand space
- ▶ One product may demand more than one transportation process
- ▶ Depend on third parties to transport different products

# Key Question

- ▶ HOW CAN YOU MAKE YOUR COMPANY GROW?

# Analysis

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- ▶ Expertise and moving around high volumes
- ▶ Incommodities, manage diversified products
- ▶ Quality relationships with customers and suppliers
- ▶ Wood and grain you satisfy diverse needs

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- ▶ Subject to logistics providers losing opportunity to broaden margin.

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- ▶ Logistics in some countries are very inefficient
- ▶ Low margin business

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# Analysis

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- ▶ Integration: backward or forward
- ▶ Growth in other markets
- ▶ Diversify commodities
- ▶ Develop technology
- ▶ Low modernization

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- ▶ Low barrier entries for buying and selling commodities
- ▶ High fluctuations in product price
- ▶ Managing products in high volumes

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# Alternatives

1. Logistics integration
2. Focus on Architecture Business
3. Develop a B2B trading platform

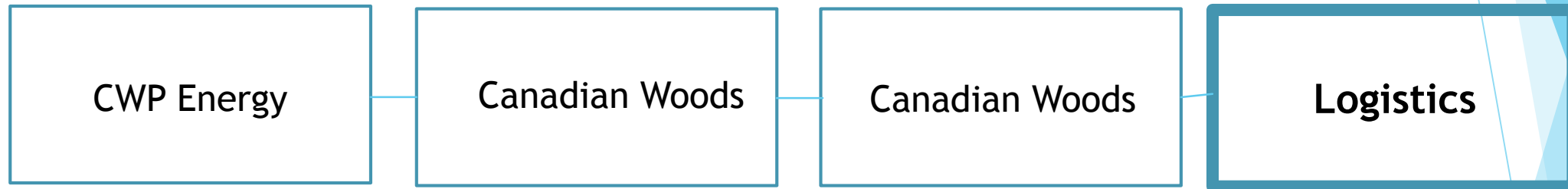
# Alternatives

	Pros	Cons
Logistics	<ul style="list-style-type: none"><li>• Diversification of business</li><li>• Allows a margin increase</li><li>• More control over supply chain</li><li>• Easier to finance by leasing method</li><li>• Lower third party costs</li></ul>	<ul style="list-style-type: none"><li>• New business with higher risks</li><li>• You own high value assets</li><li>• Hire new personnel with new skills</li></ul>
Architecture Business	<ul style="list-style-type: none"><li>• Has a higher income margin</li><li>• Develop an existing part of the company</li><li>• Develop the e-commerce channels</li></ul>	<ul style="list-style-type: none"><li>• Higher investment in creative design</li><li>• High competition</li><li>• Niche market, demanding customers</li></ul>
Develop a B2B trading platform	<ul style="list-style-type: none"><li>• New access to different markets and clients</li><li>• Modernize trading methods by automatization</li><li>• Access and information ownership</li></ul>	<ul style="list-style-type: none"><li>• High investment in new specialized skills</li><li>• Not going to totally change trading customs, lobby still very important.</li><li>• May attract small clients, less profit margin</li></ul>



# Suggested solution

- ▶ Develop a new division in your hierarchy: **Logistics company**



## Decision Criteria

- Aligned with company's to continue investing in new businesses
- Allows you to reach your gross profit goal
- Allows you to diversify the business

# Implementation

- Backward and Forward Supply chain integration.
- Logistics
- Focus in increasing profit (with les sales make more profit)

			2018		2019	
			Q1 - Q2	Q3 - Q4	Q1 - Q2	Q3 - Q4
Infraestructure	Build/buy 2 Logistic centers	Find the land Canada USA	x			
		Lease and buid the land/logistic center	x	x		
	250 Truck fleet	125 trucks	x			
		125 trucks			x	
RRHH	Truck Drivers	125 Drivers	x			
		125 Drivers			x	
	Logistic team	10 Team	x			
		10 Team			x	
Manager			x			
IT	Llogistic system Integration		x			

# Assumptions

Description	Number
Now	Need 500 trucks to operations
Truck cost	\$ 25,000.00
Logistic center	\$ 500,000.00
Truck Drivers	\$ 45,000.00
Logistic Guys	\$ 35,000.00
Manager	\$ 100,000.00
Incremental margin	25%

\* Linear sales moved by truck

Description	\$2,018.00	2019	2020
Wood growth		20%	10%
Grain Growth		20%	10%

# Financial

## Sales

Column1	2017	2018	2019	2020
Wood	\$ 167,760,000	\$ 201,312,000	\$ 241,574,400	\$ 265,731,840
Grain	\$ 13,790,000	\$ 16,548,000	\$ 19,857,600	\$ 21,843,360
Total	\$ 181,550,000	\$ 217,860,000	\$ 261,432,000	\$ 287,575,200

## Costs

Column1	COSTS	Total costs	2018	2019	2020
Infraestructure	2 Logistic centers	\$	1,000,000	\$ 333,333	\$ 333,333
	250 Truck fleet	\$	6,250,000	\$ 3,125,000	\$ 3,125,000
RRHH	Truck Drivers	\$	2,250,000	\$ 1,125,000	\$ 2,250,000
	Logistic team	\$	700,000	\$ 350,000	\$ 700,000
	Manager	\$	100,000	\$ 100,000	\$ 100,000
IT	Llogistic system Integration	\$	500,000	\$ 250,000	\$ 250,000
		\$	10,800,000	\$ 5,283,333	\$ 6,758,333

## Financial

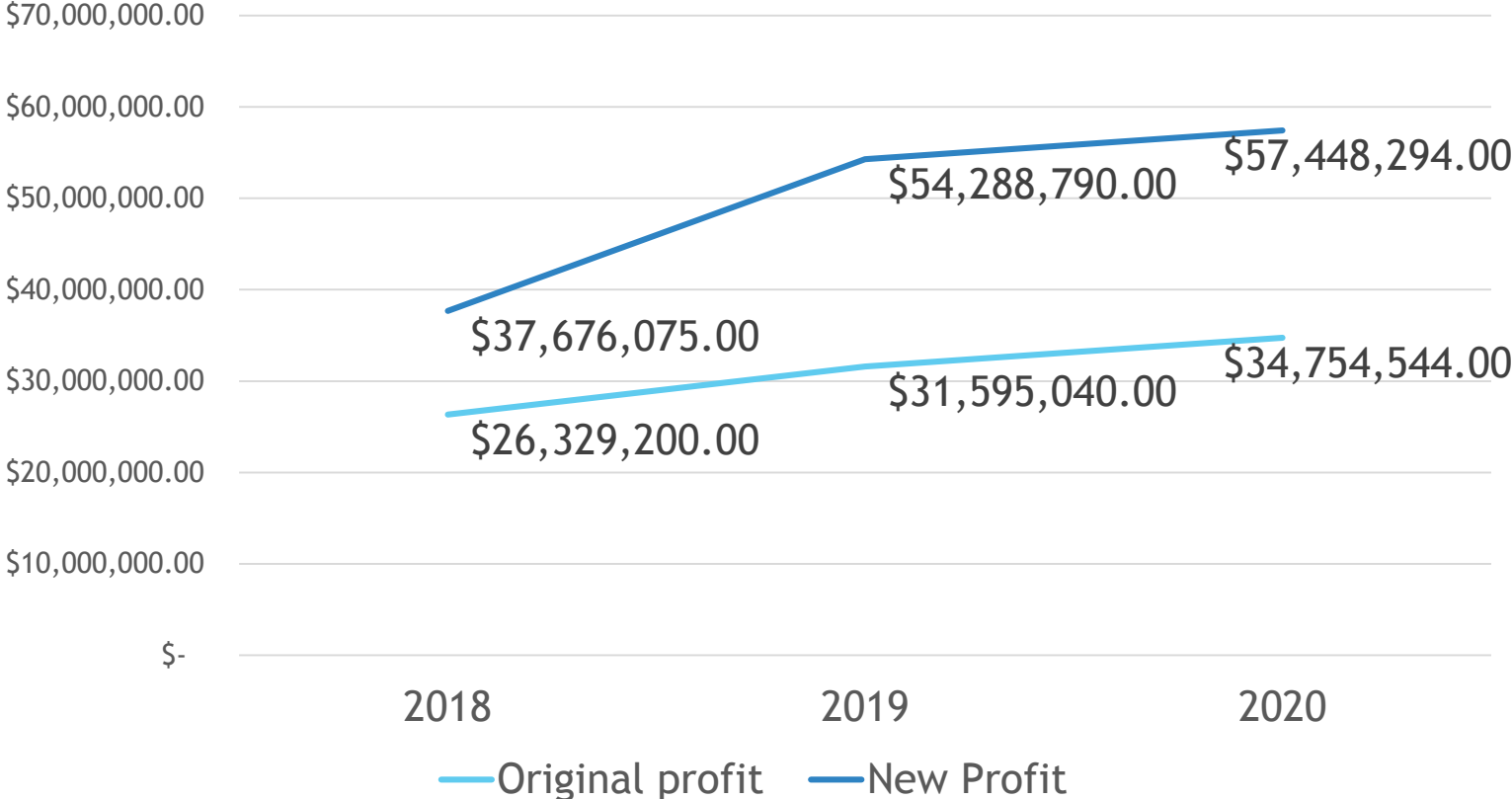
Total Invest	2018	2019	2020	2021	2022
\$ 15,425,000					
Own Invest					
\$ 2,000,000.00					
Financed					
\$ 13,425,000.00	\$ 2,819,250.00	\$ 2,819,250.00	\$ 2,819,250.00	\$ 2,819,250.00	\$ 2,819,250.00
5% annual rate					

# Financial profit

Margin		2017	2018	2019	2020
Total Sales	\$	181,550,000	\$ 217,860,000	\$ 261,432,000	\$ 287,575,200
Trucks needed		500	600	720	792
Third party logistics			475	470	542
Profit %			12.09%	12.09%	12.09%
Profit			\$ 20,843,950.00	\$ 20,624,540.00	\$ 23,784,044.00
Own logistics			125	250	250
Profit %			37%	37%	37%
Profit			\$ 16,832,125.00	\$ 33,664,250.00	\$ 33,664,250.00
<b>Total Profit</b>			<b>\$ 37,676,075.00</b>	<b>\$ 54,288,790.00</b>	<b>\$ 57,448,294.00</b>
<b>Total Profit %</b>			<b>17.29%</b>	<b>20.77%</b>	<b>19.98%</b>

# Financial

## Original Profit Vs New



# Conclusion

## Diversification

- Incorporating new business
- Complementary to business core

## Growing margin profit

- New industries with higher margins

## Lower dependency of third parties

- More control over product

BUILD, FEED, POWER

AND

CONNECT THE PLANET