McGILL StLAURENT

Putra Business School

Malaysia

BACKGROUND

- McGill StLaurent is commodity trading firm in energy, wood and grain.
- Companies under the firm CWP, Canadian Wood Products and Grain St. Laurent.
- The company have around 110 employees.
- Sales for 2017 amounts to $188.72

TRIGGER POINTS

Financial Target:

- $50m gross profit by 2020
- $17m EBITDA in the next 3 years

Aspirations:

To a global leader in trade, sells and distribution of world wide commodities

ROOT CAUSE

"

Grain and Wood is at point where it is similar to when taxis before Uber, Hotels before AB&B

Phillippe Yeah, President of McGill StLaurent

ANALYSIS

McGill StLaurent

	Products	Business Model
Canadian Wood Products	Softwood Specialty wood Hardwood Industrial lumber Energy logs	B2B
Architectural Product Company	Timberwall Williambosc Wonderwall Exotic Woods and Veneers	B2C B2B
Grain StLaurent	Specialty crop Grains Organics Feed	B2B
CWP Energy	Electricity market	B2B

Canadian Wood Products

STRENGTH	WEAKNESS
i) Wholesale trading (big volume) ii) Back to back model (less time in inventory) iii) Good relationship with suppliers and customers	i) Low margin for profit ii) Competitors and customers can buy directly from sawmills
OPPORTUNITIES	**THREATS**
i) Strong demand growth for next 5years in North America ii) Strong economy will increase purchasing by consumers	i) Low barriers for new entrant ii) Other competitors in the market

Architectural Product Company

| STRENGTH	WEAKNESS
i) Product customization increasing product ascetic value ii) Higher gross margin	i) Easily imitable by other competitors in the market ii) Furniture trends evolve quickly
OPPORTUNITIES	THREATS
i) Growing demand for customised product by customers ii) Overall growth for specialty wood in interior design	i) Existing competitors product ii) Other specialty furniture manufacturer

Grain StLaurent

STRENGTH	WEAKNESS
i) Wholesale business model ii) Managing large purchase directly	i) Low margin ii) High competition in grain industry
OPPORTUNITIES	**THREATS**
i) Global growing demand for food material ii) World food security demand	i) Low barriers for new entrant ii) Existing land area usable for agriculture

CWP Energy

STRENGTH	WEAKNESS
i) Private equity ii) Deregulated market	i) Low margin ii) High competition in grain industry
OPPORTUNITIES	**THREATS**
i) Growing demand for energy ii) High barrier for new entrant	i) Price is highly volatile ii) Market demand and pricing is mostly unpredictable

Value Chain Anlysis

						Profit Margin
Finance						
Human Resources						
Administration						
Logistics	Suppliers	Customers	Procurement	Sales	Marketing	

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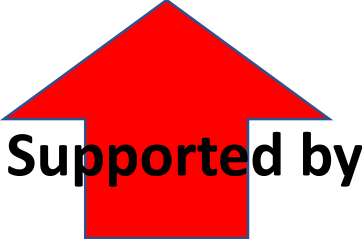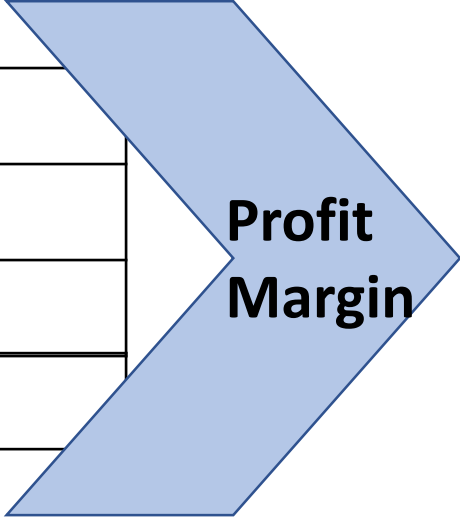
People	Furniture designers, Data Scientist, Customer Service Specialist, Business Intelligence Developer
Technology	Supply Chain Management, Customer Relationship Management, Electronic Data Interchange, Enterprise Resources Planning
Process	Leaner work process, Just-In-Time approach, Business Decisions based on Analytics & Intellgence
Diversification	Development of product, Brand development

RECOMMENDATION
CANADIAN WOOD PRODUCTS

Strategic Decision:

Product diversification – furniture

Reasoning:

- Demand for furniture is high worldwide
- The need for variety among consumers

CRITICAL SUCCESS FACTOR
• Strong brand • Client relationship and customer services • Quality products

PROS	CONS
Market Expansion	Additional capital & operating cost
Increase in revenue	Increase R&D
Utilize transformation plant	

RECOMMENDATION
Grain St. Laurent

Strategic Decision:

Expand to overseas market i.e. China, India

Reasoning:

To tap in a bigger market with a combine population of 2.71b people

CRITICAL SUCCESS FACTOR
• Quality relationship with business partners • Highly reliable supply chain services

PROS	CONS
Market Expansion	Hard to find business partner
Increase in revenue	Entry barrier

RECOMMENDATION
INCREASE EFFICIENCY

Strategic Decision:

To replace existing communication method with suppliers and customers

Reasoning:

- To ensure efficient management of all product lines

CRITICAL SUCCESS FACTOR
• Hardware capabilities • IT literacy

PROS	CONS
Faster transaction	Installation cost is high
Increase accuracy	
Data Storage & Analysis	

SUPPLIERS
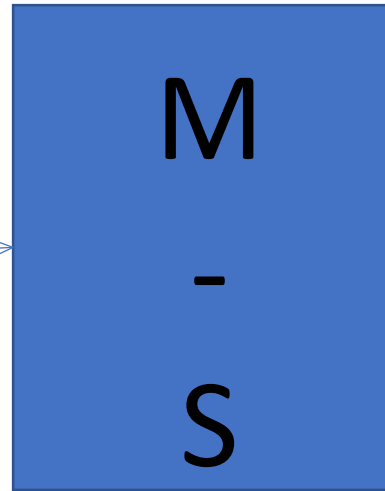
CUSTOMERS

M
-
S

Electronic Data Interchange

IMPLEMENTATION
CANADIAN WOOD PRODUCTS

TRADING → MANUFACTURER
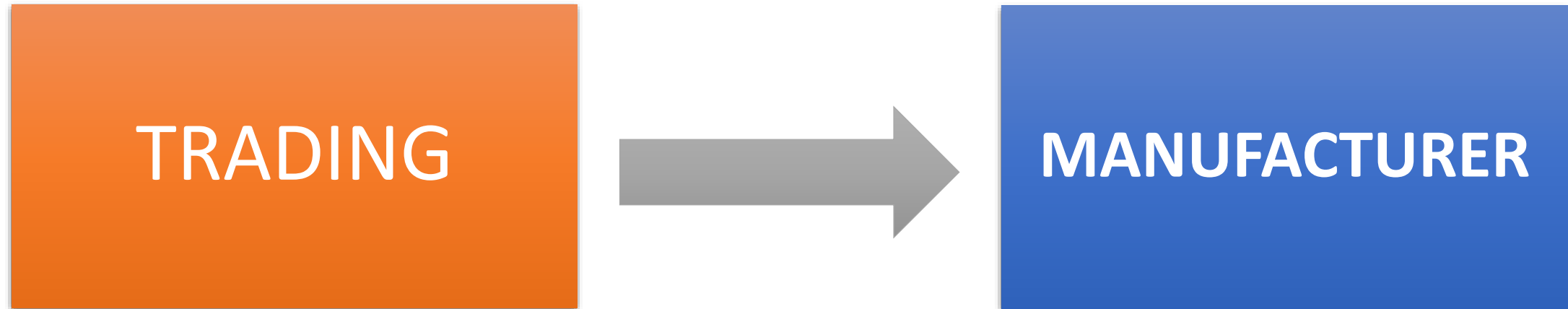
WHY?
Leverage on existing capabilities i.e.
facilities, designers

IMPLEMENTATION
CANADIAN WOOD PRODUCTS

PROGRAM ACTIVITIES	OBJECTIVES	RISK	MITIGATION
Create a Furniture brand - Use existing capabilities such as transformational plant and designers	Tap in to a more growing market	Competing with established brands	Ensure high quality

Activities	2018	2019	2020
Hiring & Training	50k	200k	400k
Purchase of Tools	50k	200k	400k
Establish Workshop	100k	400k	800k

Total: $ 2.2mn

CONTINGENCY PLAN

Become a Original Equipment Manufacturer

CRITICAL SUCCESS FACTOR
- Have great designs
- Market research

IMPLEMENTATION
CANADIAN WOOD PRODUCTS

PROGRAM ACTIVITIES	OBJECTIVES	RISK	MITIGATION
Add functions of Original Equipment Manufacturer to existing plant - Upscale current activities	Provide more variety in product offer Increase value proposition	Inadequate capability to meet demand	Increase Capacity Deploy TQM

Activities	2018	2019	2020
Hiring & Training	50k	100k	200k
Purchase of Tools	50k	100k	200k
Establish Workshop	100k	200k	400k

Total: $ 1.6mn

CONTINGENCY PLAN

Intensify customization sales

CRITICAL SUCCESS FACTOR
- JIT
- Reliability
- Good service

IMPLEMENTATION
CUSTOMER RELATIONSHIP MANAGEMENT SYSTEM

PROGRAM ACTIVITIES	OBJECTIVES	RISK	MITIGATION
Introduce and use CRM for trading purposes - Replace existing method	Ensure efficiency	IT illiteracy	Conduct training

Activities	2018	2019	2020
Hiring, Training & Workspace	200k	100k	100k
Development Cost	500k	50k	50k

Total: $ 1mn

CRITICAL SUCCESS FACTOR
- Capable hardware
- IT Literacy
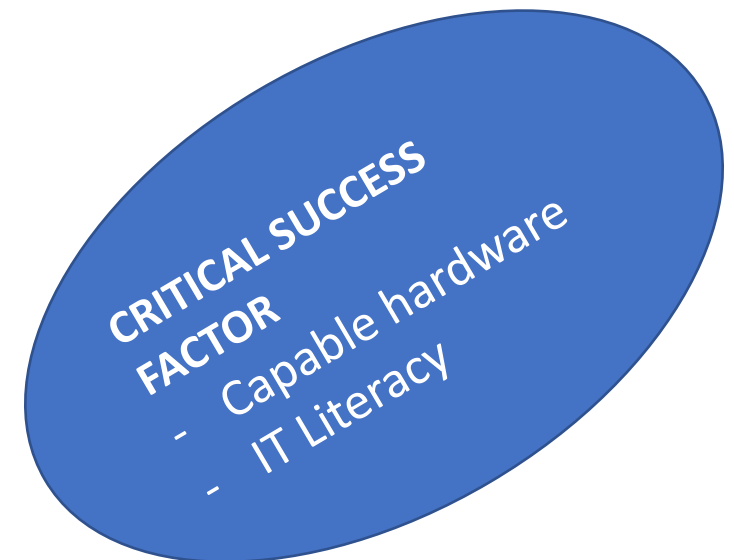
IMPLEMENTATION
GRAIN ST LAURENT

PROGRAM ACTIVITIES	OBJECTIVES	RISK	MITIGATION
Identify potential business partner	Penetrate huge China and India market	Difficult to find business partner	G2G initiative, Business matching, Specialised marketing mission, University engagement

Activities	2018	2019	2020
Identify business partner	100k		
Establish contact	200k		
Contract	200k		

Total: $ 0.5mn

FINANCIAL IMPLICATION

$ (in millions)	2013	2014	2015	2016	2017	2018E	2019E	2020E	CAGR
Energy Gross Profit	1.04	3.52	3.6	6.06	3.64	6.19	10.52	17.88	1.7
Grain Gross Profit	0.63	-0.69	1.64	1.3	1.13	1.60	2.71	4.61	1.41
Wood Gross Profit	5.61	5.38	5.81	8.84	9.29	12.37	21.02	35.74	1.33
Total	7.28	8.21	11.05	16.2	14.06	20.15	34.26	58.24	
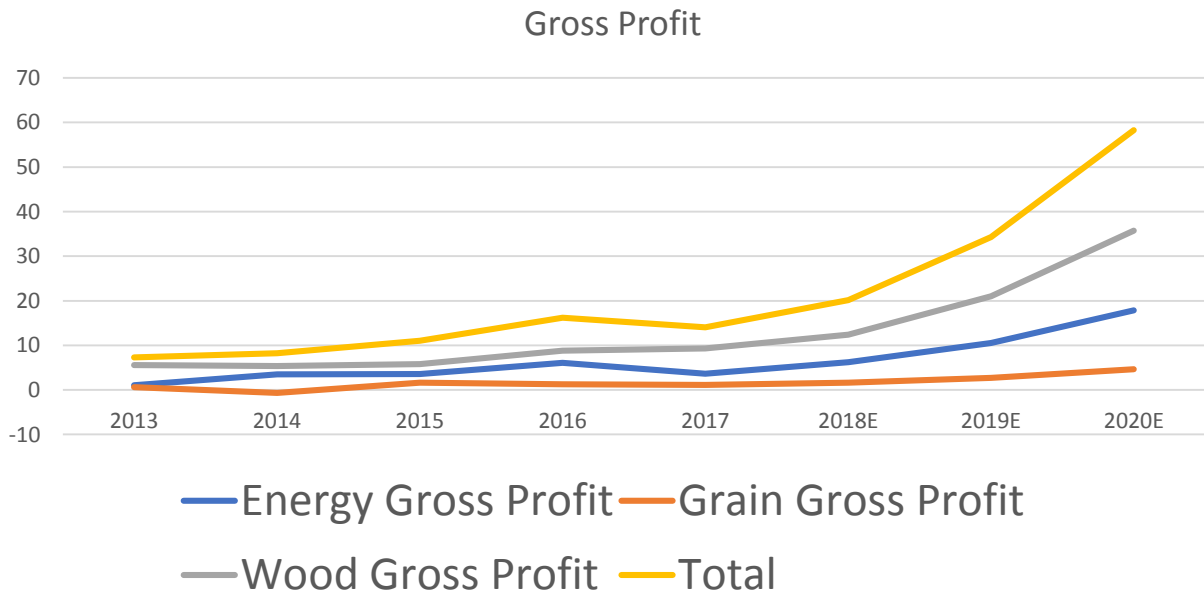
Gross Profit projection looks probable to achieve the $50mn target

$ (in millions)	2013	2014	2015	2016	2017	2018E	2019E	2020E	Growth Needed
Energy EBITDA	0.57	2.17	1.99	3.11	0.50	2.70	4.50	6.00	1.44
Grain EBITDA	0.15	-1.55	0.27	0.23	0.10	0.30	0.50	1.00	1.67
Wood EBITDA	2.21	0.42	1.08	3.23	4.74	6.00	8.00	10.00	1.33
Total	2.93	1.04	3.34	6.57	5.34	9.00	13.00	17.00	
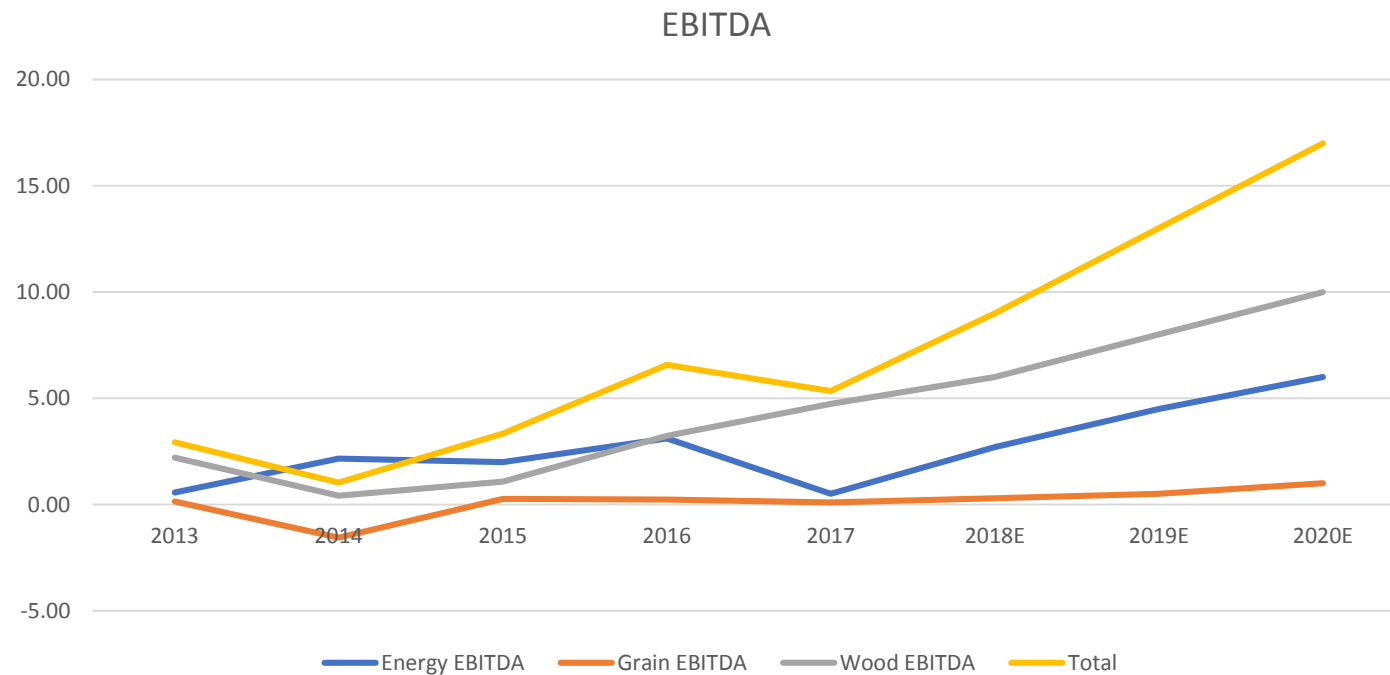
EBITDA projection looks less possible to achieve the $17mn target

EBITDA

Financial Implications

Finance Needed for Implementing (Mezzanine Financing and Mortgaging All Assets) ($7mn needed for Recommendations) ($ mn)

- Diversification to Furniture
- Systems Implementation
- Original Equipment Manufacturer
- Strategic Partnership with China & India
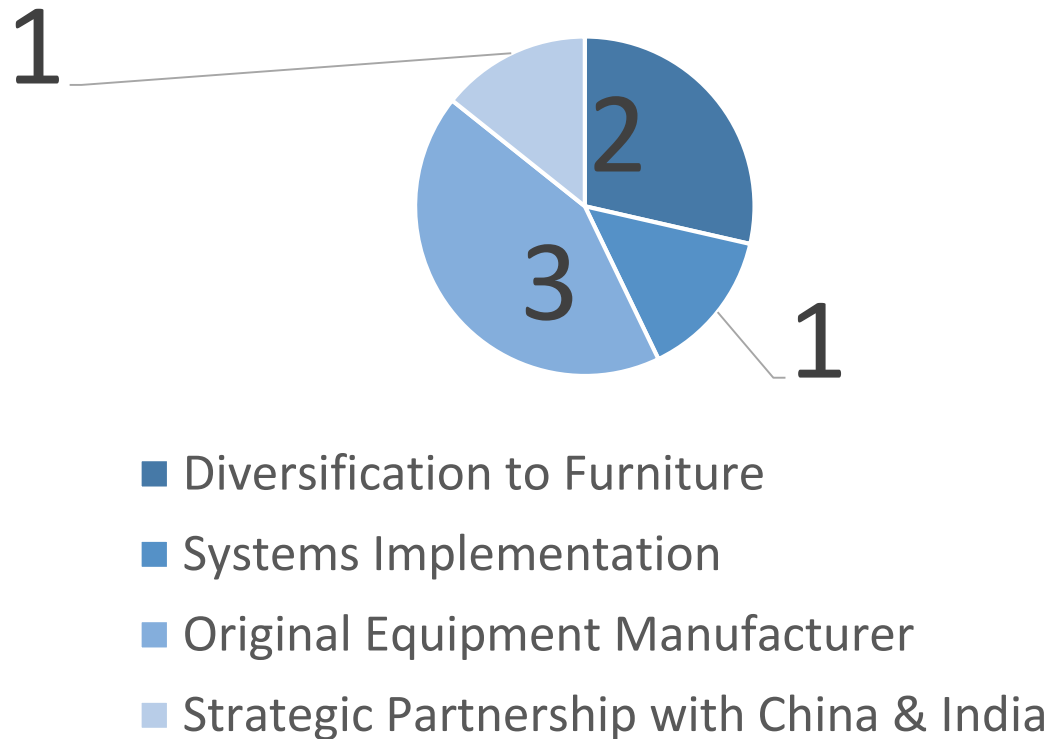
Return of Recommendations ($ mn)	2018	2019	2020
Diversification to Furniture	1	2	3
Systems Implementation	2	3	4
Original Equipment Manufacturer	2	3	4
Strategic Partnership with China & India	3	4	5

Thank You