

Quant Optic Solutions:
Aleks
Cree
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Theresa

Growing Trafalgar



Introduction

Where to grow and how?





Competitive Environment

- Saturated market
- Consumption and sales down (2.9% +1.05%)
- Trafalgar provides 0.26%
- Regulation changes





Current Position

- Increase in profits
- Decrease in COGS
- Under capacity
- Distillery licence





Strategy – Hard Coffee

- \$10M in US sales projections
- Local market demand
- Position advantages





Strategy – Hard Coffee

\$4 million needed

- Raw materials
- Inventory
- Infrastructure
- Distribution/Marketing





Financing Strategy - Debt

Benefits

- Ownership and control
- Allows some growth

Risks

- Increase D/E
- Less working capital
- Limits future borrowing





Financing Strategy - Equity

Benefits

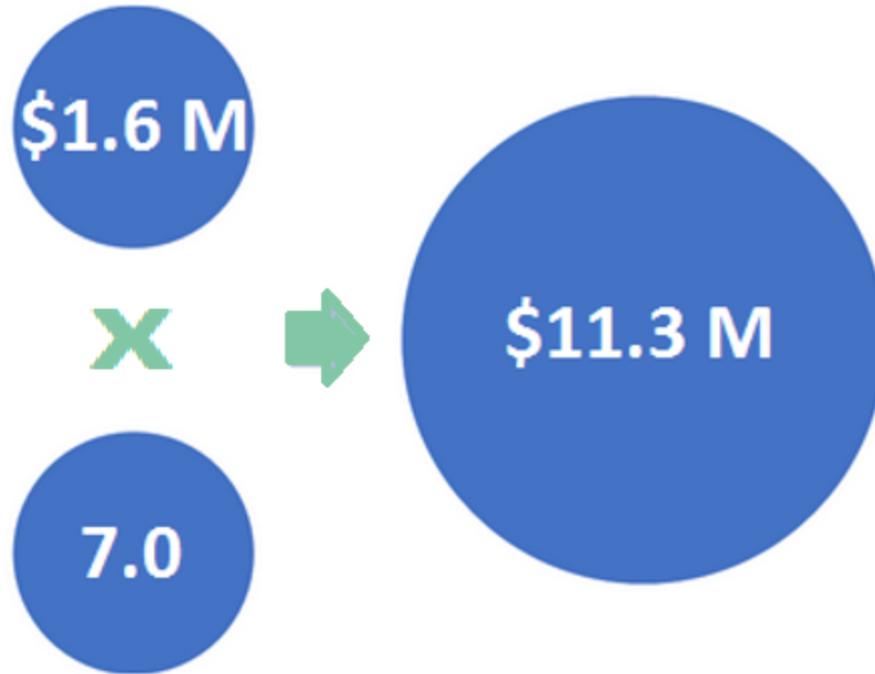
- More working capital
- Investor experience
- Untapped growth

Risks

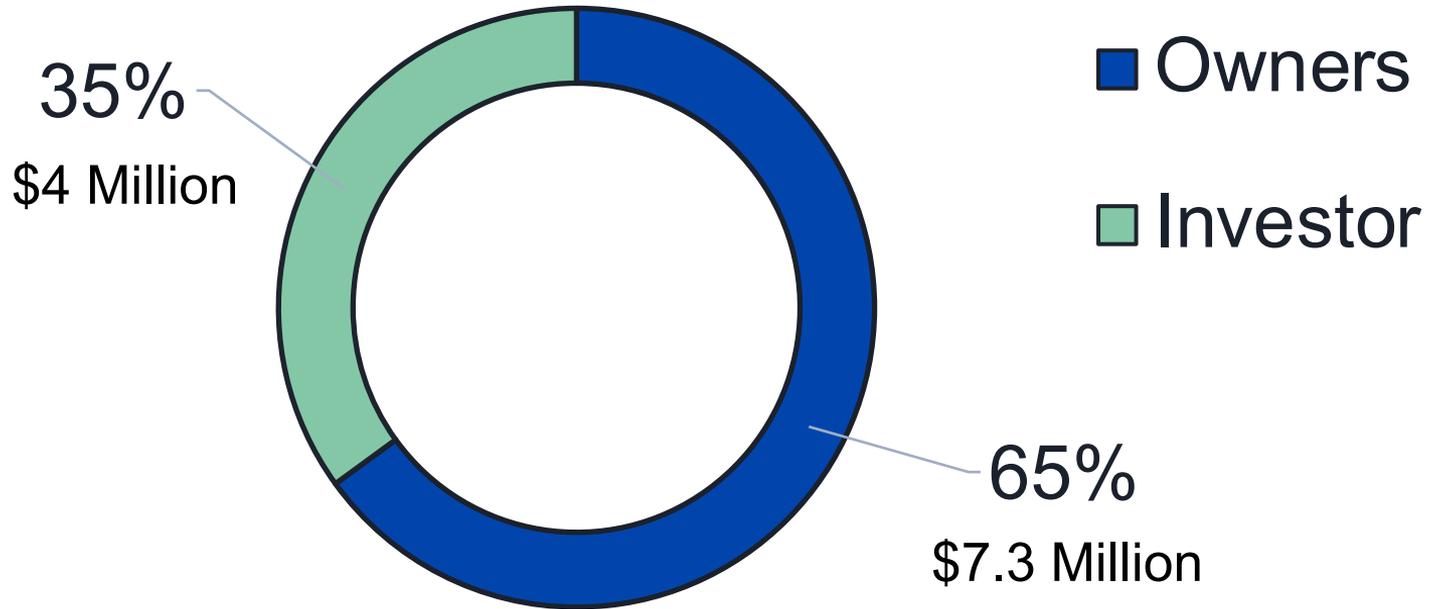
- Diluted ownership
- Less control



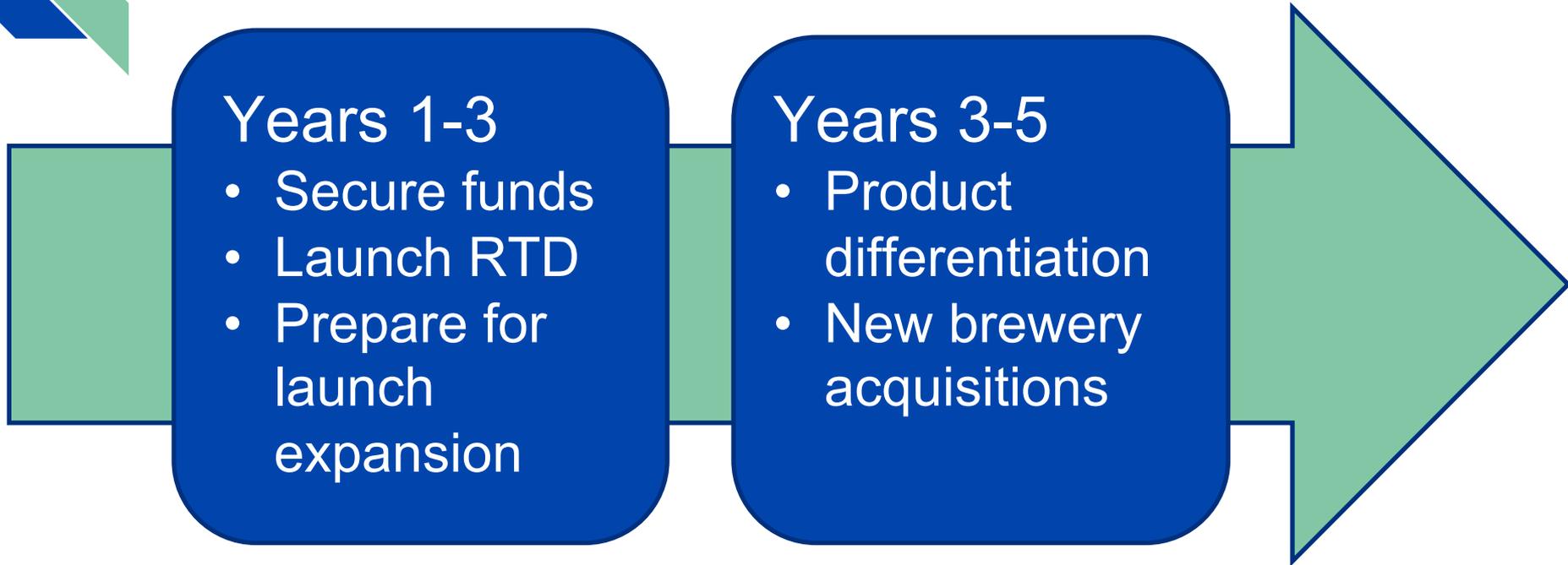
Valuation



Change in Equity



Action Plan 1-5 Years



2020 Projections

	2017	2020
Gross Revenue	\$3.4 M	\$13.6 M
Net Income	\$1.6 M	\$8.8 M
Equity (Market Evaluation)	\$11.3 M	\$20.3 M

Introduction



Analysis



Options



Recommendations



Action Plan



Questions?



Appendix 1 – SWOT Analysis

Strengths	Weaknesses
<ul style="list-style-type: none">•Jeff is chair of OCB•Control of expenses•Sales experience•Industry involvement – connections•Financial backers•Award-winning products -Trafalgar	<ul style="list-style-type: none">• Distillery is under-optimized• Low HR time/people
Opportunities	Threats
<ul style="list-style-type: none">•OOC demand – distillery•Relaxed restrictions in Ont.•Gov. mandate 20% shelf space for local brewers•Craft industry growing•Outside Investment	<ul style="list-style-type: none">• Beer sales declining for domestic brands• High craft beer competition in Ontario• Rising beer prices• Investors turns to competitor

Appendix 2 – Decision Matrix

Objectives	Option 1: Debt	Option 2: Equity
Capital Investment	1	3
Time to Implement	0	0
Increase Value	1	3
Net Worth	1	3
Loss of Control	3	1
Total	6	10

0 = No impact

1 = Worst

2 = Mediocre

3 = Best



Appendix 3 – Valuation

4 million financing

Valuation			Equity Required				
High							
\$ 1,617,981	9	\$ 14,561,829	\$ 4,000,000	\$ 14,561,829	27%	\$ 24,000	
Medium							
\$ 1,617,981	7	\$ 11,325,867	\$ 4,000,000	\$ 11,325,867	35%	\$ 30,000	
Low							
\$ 1,617,981	5	\$ 8,089,905	\$ 4,000,000	\$ 8,089,905	49%	\$ 42,000	

Appendix 4 – Pro Forma Statements

	2012	2013	2014	2015	2016	2017	2020	
Sales of product								
Brands	827,559	1,465,034	1,594,512	1,411,688	1,438,025	2,450,520	12,450,520	
Contract	14,000	349,646	445,995	591,602	871,189	902,050	902,050	
Rebate							220,000	
Total	841,559	1,814,680	2,040,507	2,003,290	2,309,214	3,352,570	13,572,570	
COGS								
Total	487,720	582,162	952,003	1,255,303	1,318,426	943,300	3,756,962	
Gross Profit	353,839	1,232,518	1,088,504	747,987	990,788	2,409,270	9,815,608	
Total	492,956	777,255	523,829	547,872	670,000	541,289	840,300	
Operating Income	-	139,117	455,263	564,675	200,115	320,788	1,867,981	8,975,308
Depreciation	16,390	70,460	53,300	130,000	200,000	200,000	200,000	
Interest					20,000	50,000	50,000	
Net Income before taxes	-	155,507	384,803	511,375	70,115	100,788	1,617,981	8,775,308
Assets	500,000	1,000,000	1,200,000	1,300,000	1,500,000	2,000,000	6,000,000	
Liabilities	420,000	1,000,000	1,100,000	1,300,000	1,560,000	1,200,000	1,200,000	
Equity	80,000	-	100,000	-	60,000	800,000	13,575,308	



Appendix 5 – Product Differentiation

Flavour options

- Cream based
- Stout coffees

Local partnerships

- Restaurants/pubs
- Local flavours