

Food Solution Inc.

A vision for future



Team 10

AGENDA

1

- **Overviews**
 - What Happened?
 - SMART Objectives

3

- **Research & Development**
 - Smart food packaging
 - Packaging solution consultancy
 - Sustainable packaging

2

- **Financial Overviews**
 - Top and Bottom-line Summaries
 - Income statement analysis
 - Financial actions

4

- **Equipment Portfolio**
 - Market segment position
 - Strategic repositioning
 - Offering new product

AGENDA

5

- **Competitor Intelligence**
 - Market Players
 - Product Competition
 - Curbing Competition

6

- **Partnerships, Mergers and Acquisition**
 - Acquisition intro
 - Acquisition process
 - Partnership and merging effect

7

- **Three-year Strategy**
 - Scenario Planning
 - Business targets
- **Conclusions**



What happened?

- The market is growing while Food solutions is losing its revenue
- Food solution market share has been declining since 2000



Throughout the years we have found that....

- Competitors have been **significantly increasing**
- Raw materials suppliers' market has been levelled off since 2010
- Number of customer is **dropping** while spending is increasing
- Technology has been improved **4 times more efficient**
- Cost to build factories has been **decreasing**, resulting in **increased competition**

The vision – SMART Objectives



S

Boost growth of profit by increasing sales and clients of all areas

M

Increase profit by 15% based on 2017 financial year

A

Reduced possible 10% cost through negotiate with suppliers

R

Invest in R&D, updating factories and infrastructure

T

In 3 years

Consumables Status Quo



Account for 70% of our revenue

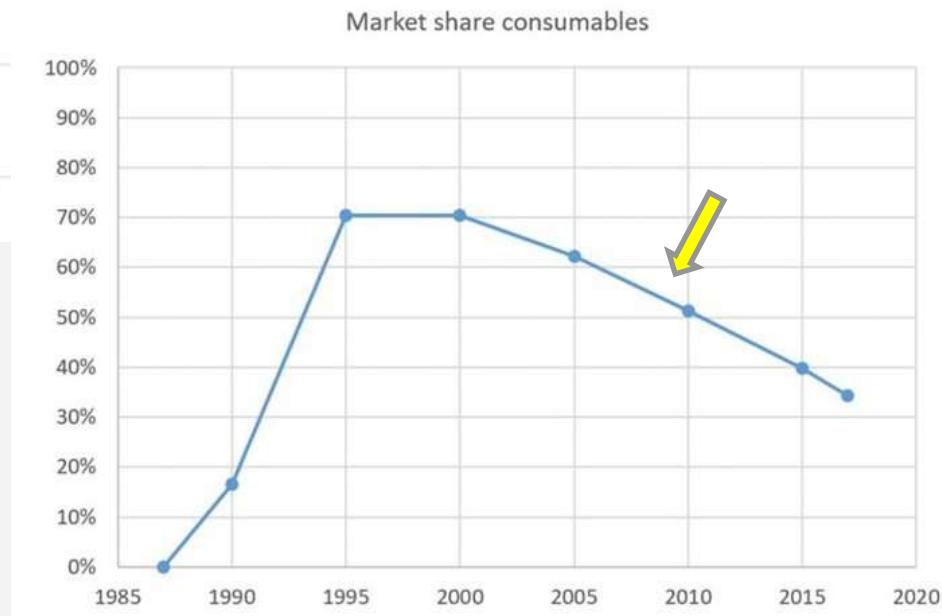
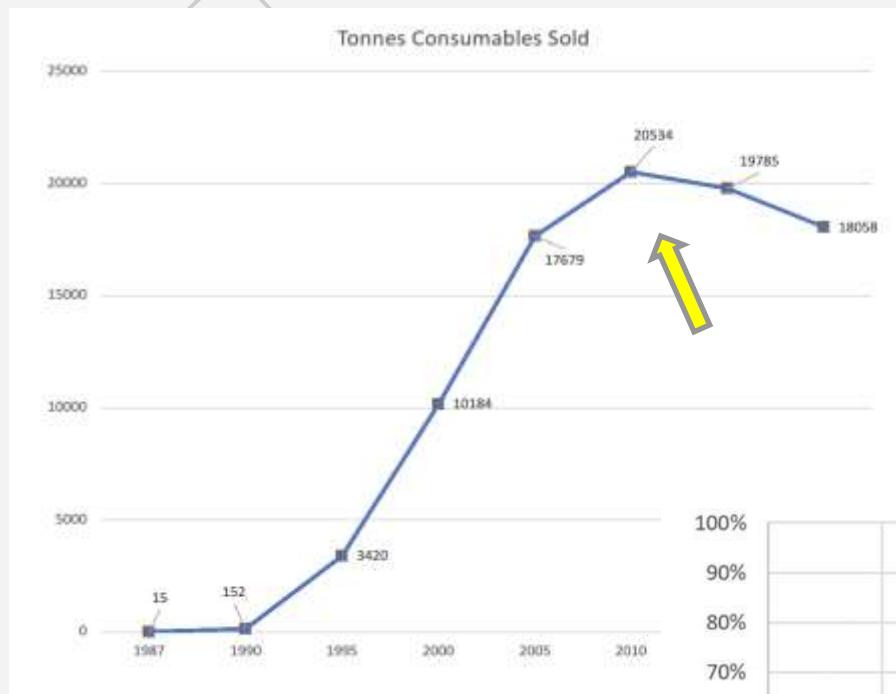
Total market share by:

- **Tonnes sold 31%**
- **Revenue 34%**



Consumables

- **Quantity sold and market share are dropping**
- **Econo-Pack and Sustaino-Pack entered the market since 2010**



Consumable Actions

1

Invest in R&D and look for acquisition or partnership

2

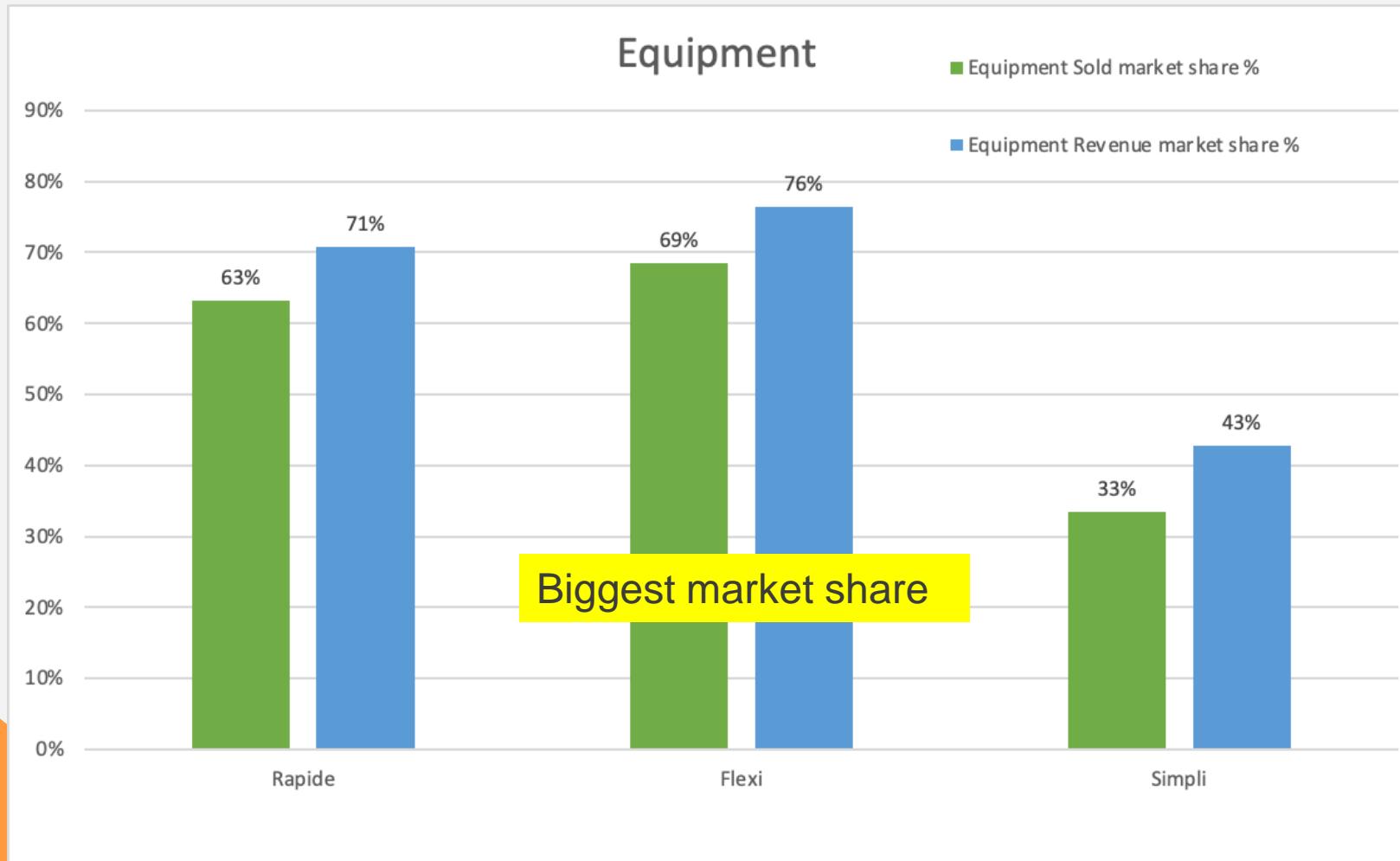
Invest in infrastructures and factories

3

Reduce possible 10% cost through negotiating with suppliers



Equipment Status Quo



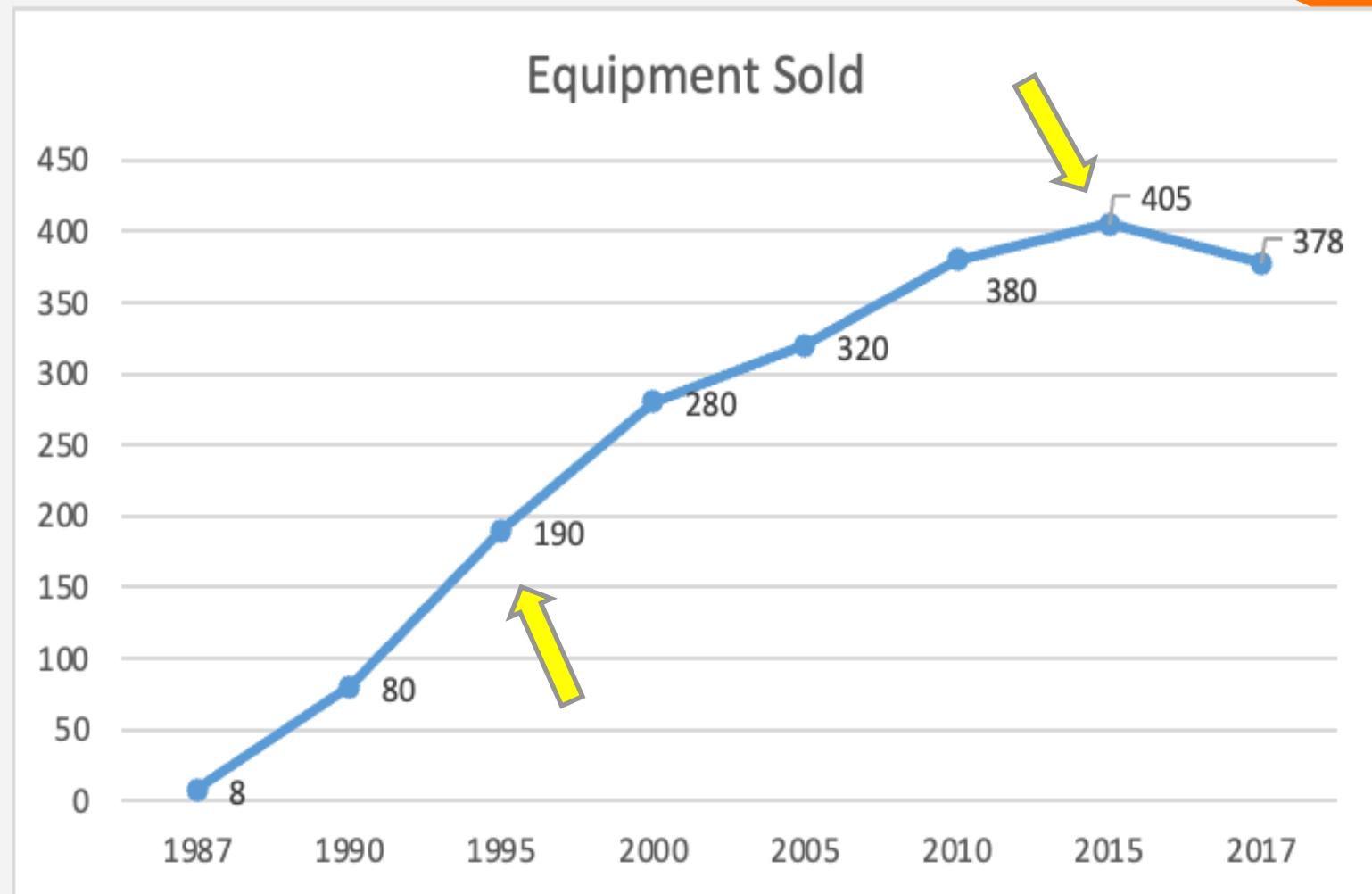
Total market share by:

- **Equipment sold 44%**
- **Revenue 46%**



Equipment

- Flexi-food entered the market in 1995
- Quantity dropping since 2015, Flexi-food became the biggest threat



Equipment Actions

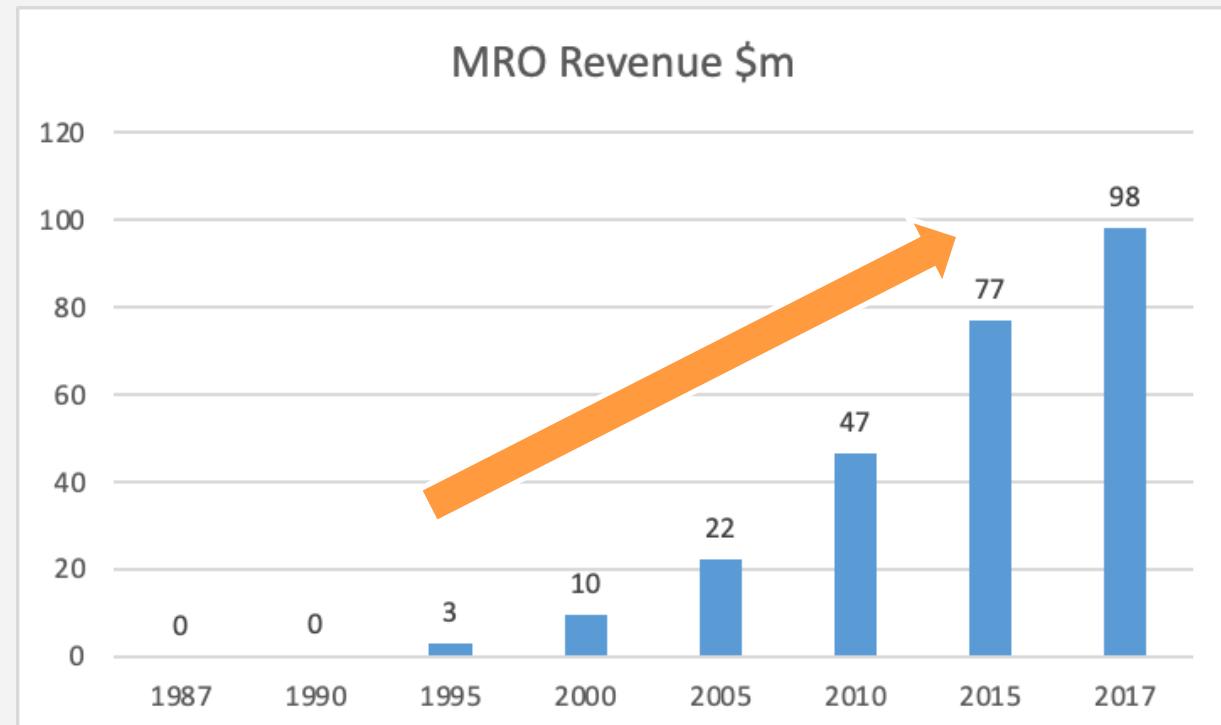
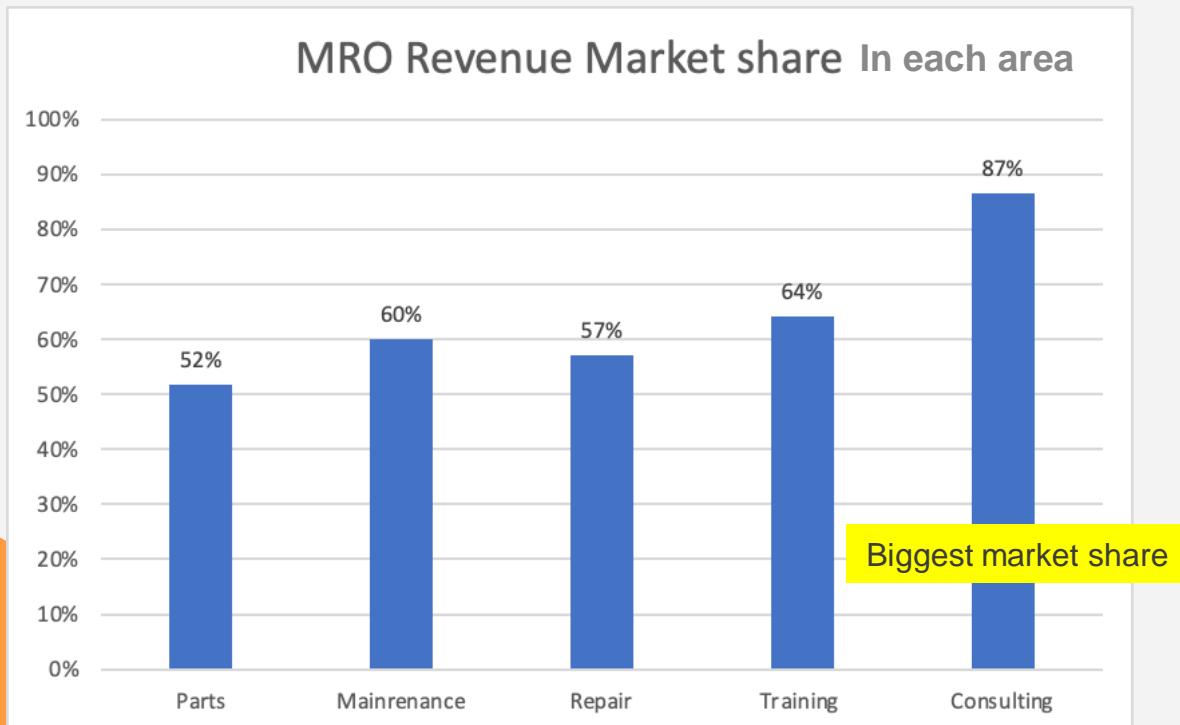
- 1 Adapt the features that meet customer demands
- 2 Reposition equipment by re-evaluating the benefit score
- + 3 Eliminate the low contribution equipment
- 4 Expanding sales into new channels e.g., online, agents

MRO Status Quo

Total market share:

- Revenue 58%**

- Revenue doubled from 2010 to 2017**



MRO & Consultancy Actions

1

Expanding MRO & consultancy to competitors' equipment

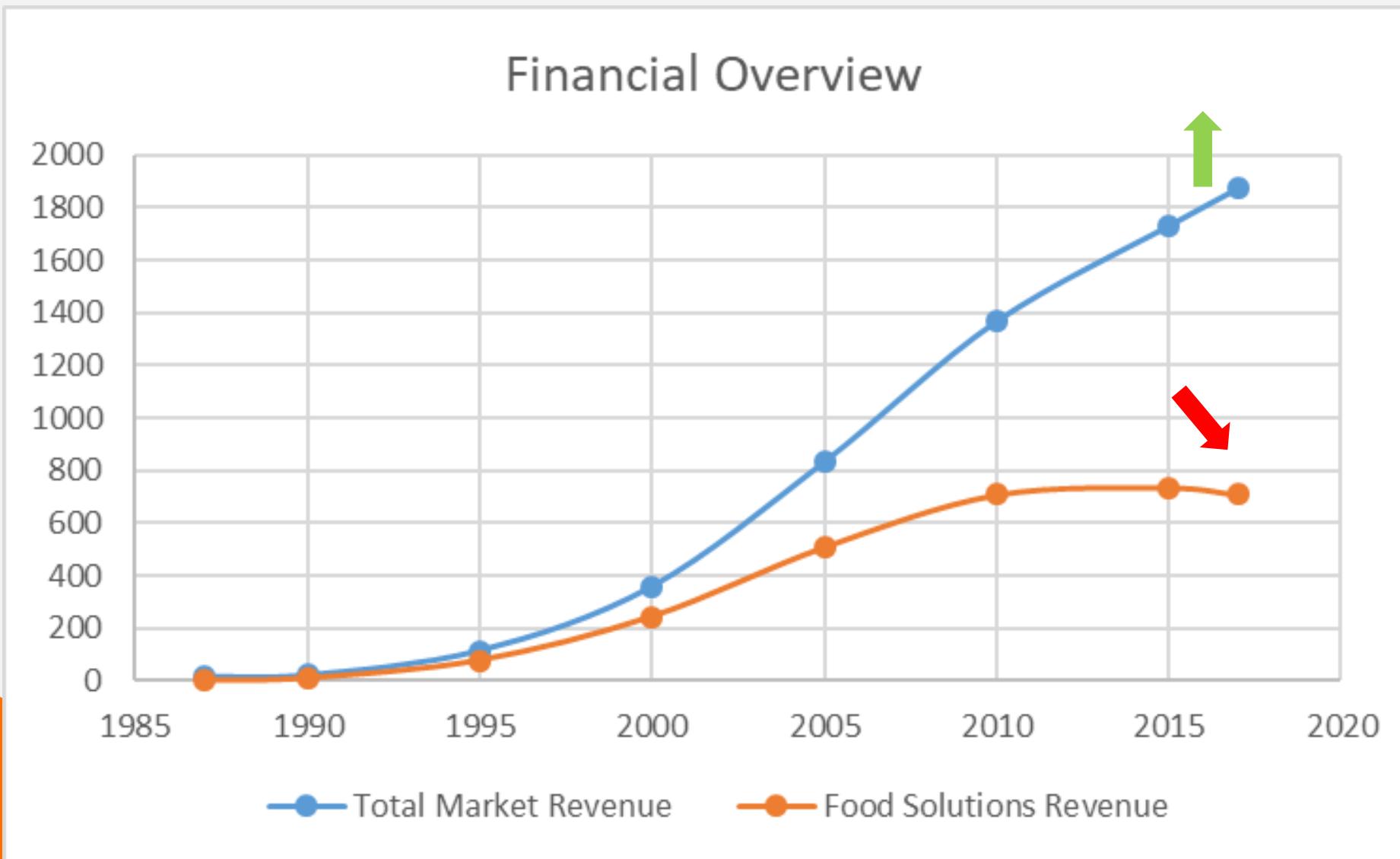
2

Developing worldwide consulting services network

3

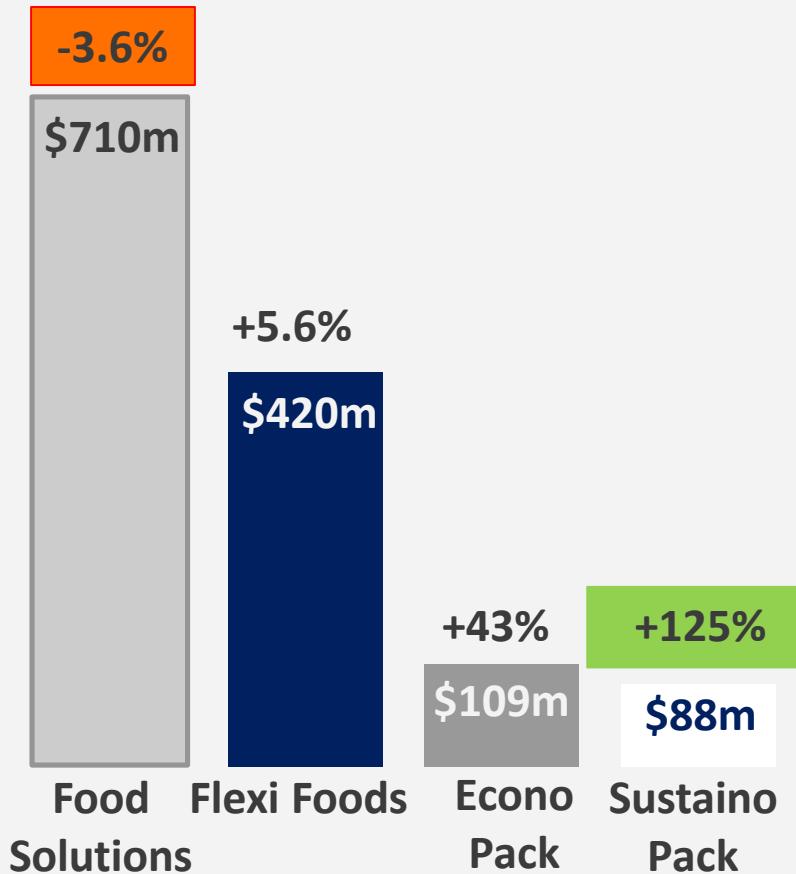
Expanding to other industries

Financial Overview of Food Solutions

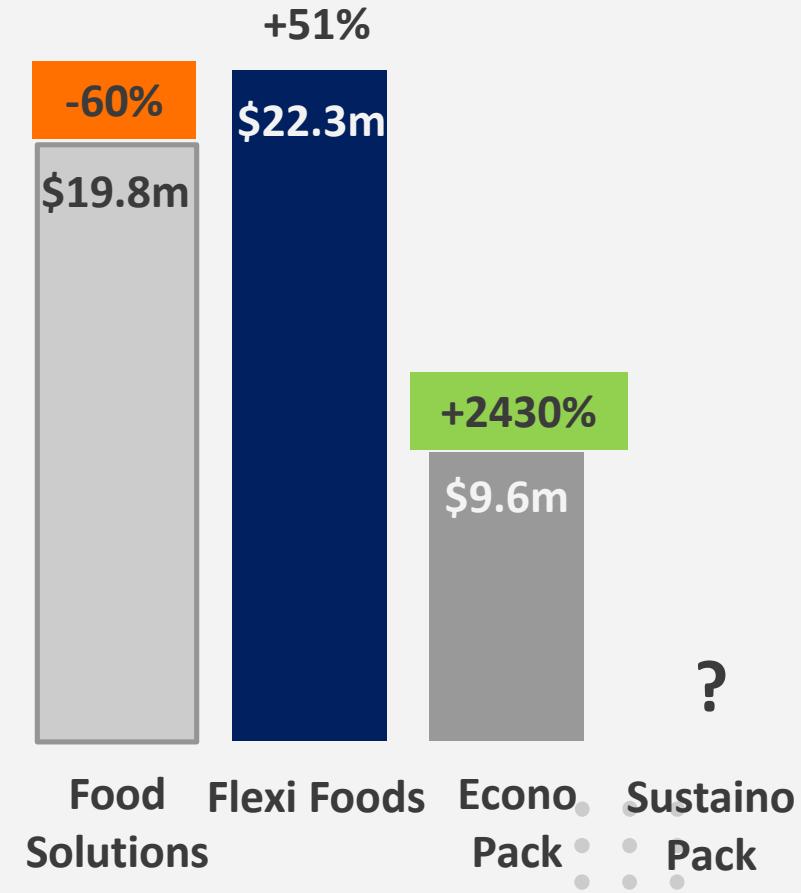


Revenue & Profitability Comparision

2017 Top Line \$mils
(%change vs 2015)



2017 Bottom Line \$mils
(%change vs 2015)



Income Statement Analysis

FOOD SOLUTIONS

	2017	2016	2015
Operating margin	2.8%	5.2%	10.1%
Gross Profit Margin	30.6%	33.3%	36.6%
Return on sales	3%	4%	7%
Year-on-Year Revenue growth	-2%	-1%	0%
Time Earned Interest	3.28	6.48	10.86

Operating Margin = (Operating Income / Total Revenue) x 100%

Gross Margin = (Gross Profit / Total Revenue) x 100%

Return on Sales = Operating Profit / Total Revenue

Time Earned Interest = EBITDA / Interest Expense

Financial Actions

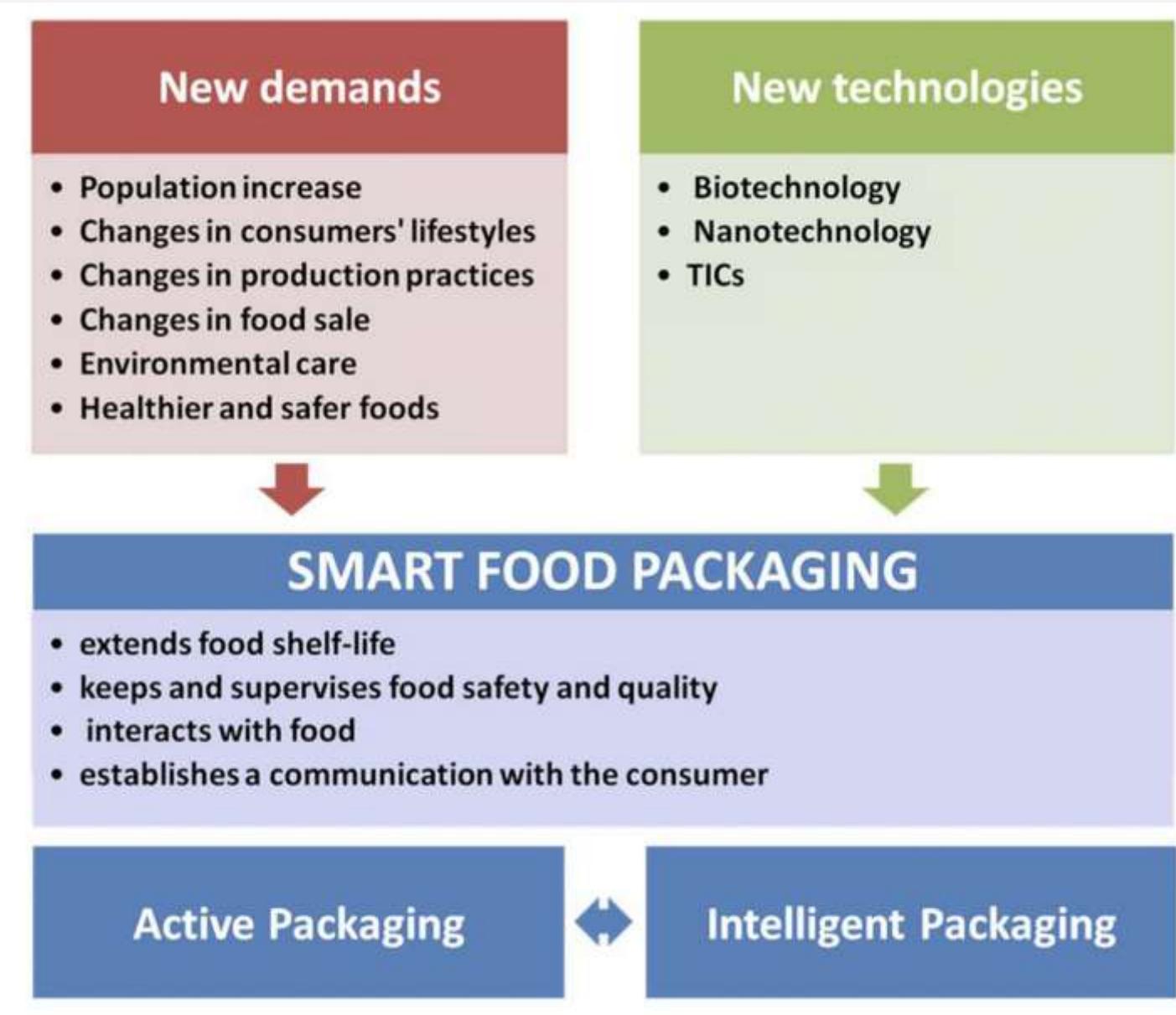
- 1 Focus on equipment profitability
- 2 Cut-down on SG&A costs
- 3 Lowering down discounts
- + 4 Fund consultancy firm to attract potential new customers
- 5 Maybe go public?

Research & Development

- Driving forces from the current market
 - Use of plastic represents 37% of packaging material in the market by 2015
 - Non-degradable
 - Pollution during manufacture and disposal

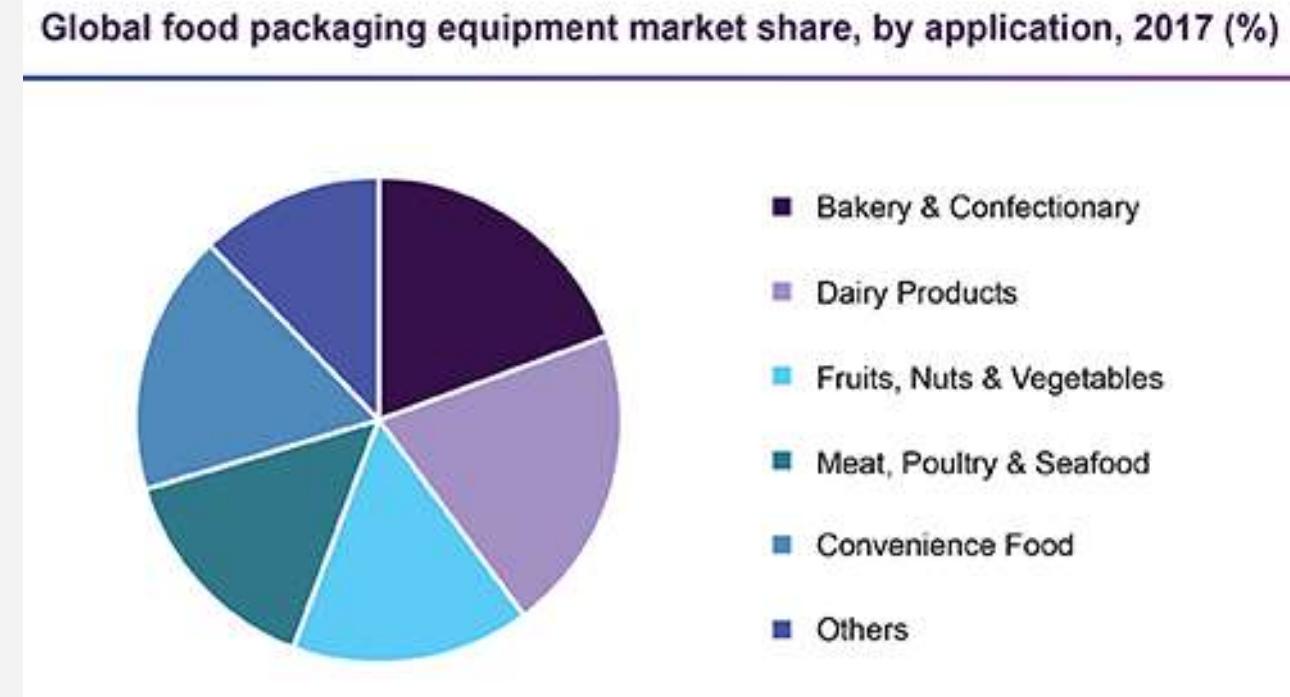


- Driving forces from new trends



Market expansion to meat & dairy

- Global Food Packaging Market is expected to achieve \$346.5B in 2021. By 2017:
 - Dairy products ~ 20%
 - Bakery & Confectionery ~ 20%
 - Meat, Poultry & Seafood ~ 15%
- Partnerships with global packaging companies in other sectors
 - Sonoco
 - Cargill

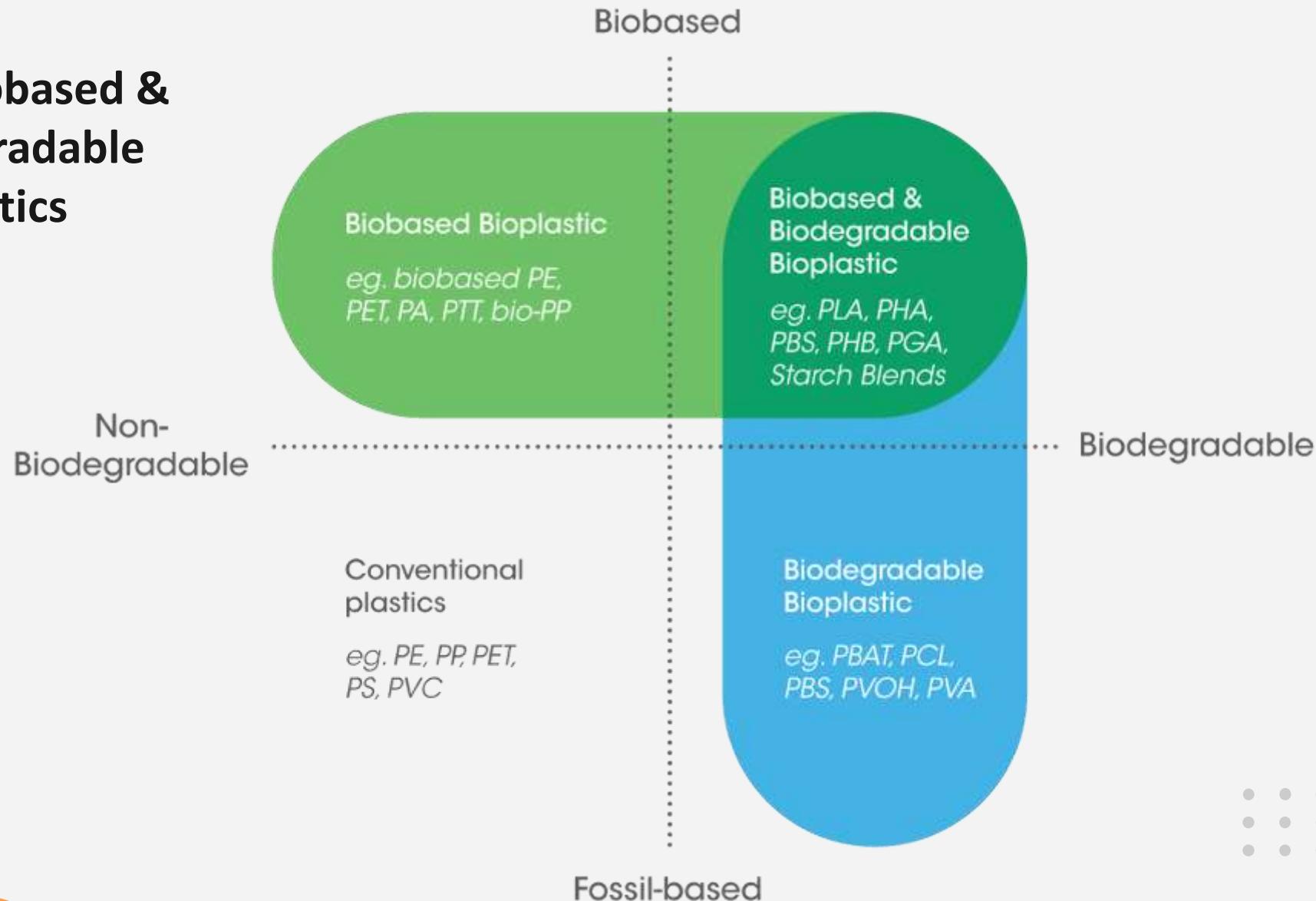


Global Food Packaging Equipment Market | Industry Report, 2018-2025. (n.d.).
Grandview Search. Retrieved December 11, 2022,
from <https://www.grandviewresearch.com/industry-analysis/food-packaging-equipment-market>



Product – Sustainable packaging

Use biobased & biodegradable bioplastics



Technologies - Smart food packaging

- **Interacts with food via sensors**
 - Detect bacteria through pH changes
 - Check food freshness without opening
 - Safe and easy to integrate
- **Goes beyond sustainable packaging**
 - Reduces food waste
 - Establish communication with the customer

SMART Food Packaging



MONITORS
FRESHNESS

REDUCES
FOOD WASTE



New film membrane sensor:

- can check food freshness without opening
- detects bacterial growth through pH changes
- is easily integrated in food packaging
- is safe in direct contact with food

Kiryukhin, M. V., et al.: "A membrane film sensor with encapsulated fluorescent dyes towards express freshness monitoring of packaged food," Talanta (2018)

Services - Packaging solution consultancy

Division 1: packaging engineers, technicians & technologists

- Research existing packaging solutions
- Incorporate technological advancements
- Packaging graphic and constructive design

Division 2: sales consultants

- Support clients' choice of products & equipment
- Tailored service portfolio to meet client specific needs
- Packaging optimisation

Maximise profitability & performance across value chain



Equipment – Market Segment by attributes

Specification

- Speed
- Reliability (Machine mechanical Efficiency)
- Machine Footprint
- Average Product Lead time

Configured at order

- Product Coverage – product mass
- Product Coverage – product size
- Package options
- Product coverage – no. Pieces per pack

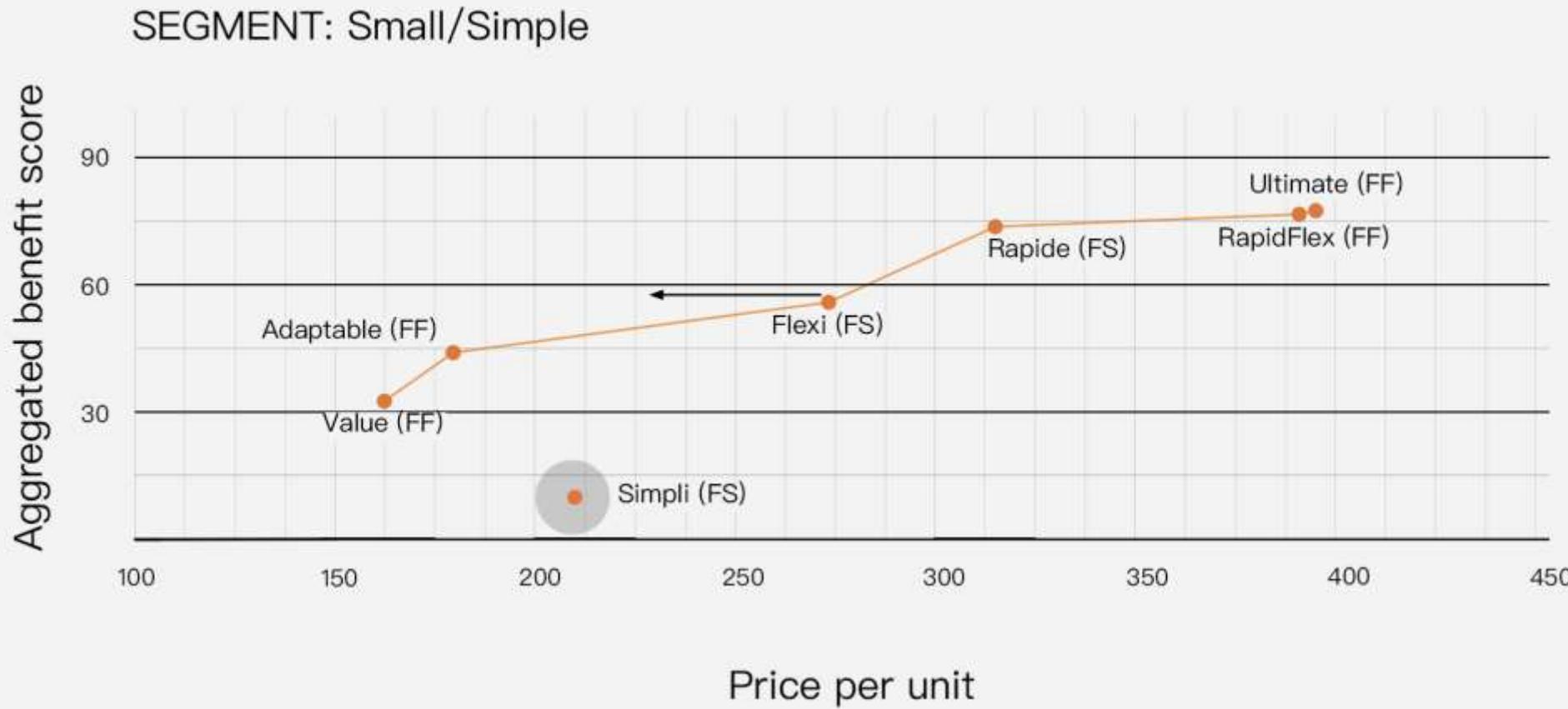
Flexibility

- Changeover time + different products
- Changeover time – different pack configurations

Feature

- Integrated cleaning unit
- Robotized palletization
- Automatic consumables feeding
- Advanced diagnostics
- Remote monitoring

Equipment – Market Segment Position



Equipment – Market Segment Position



Equipment – Market Segment Position



Equipment – Market Segment Position

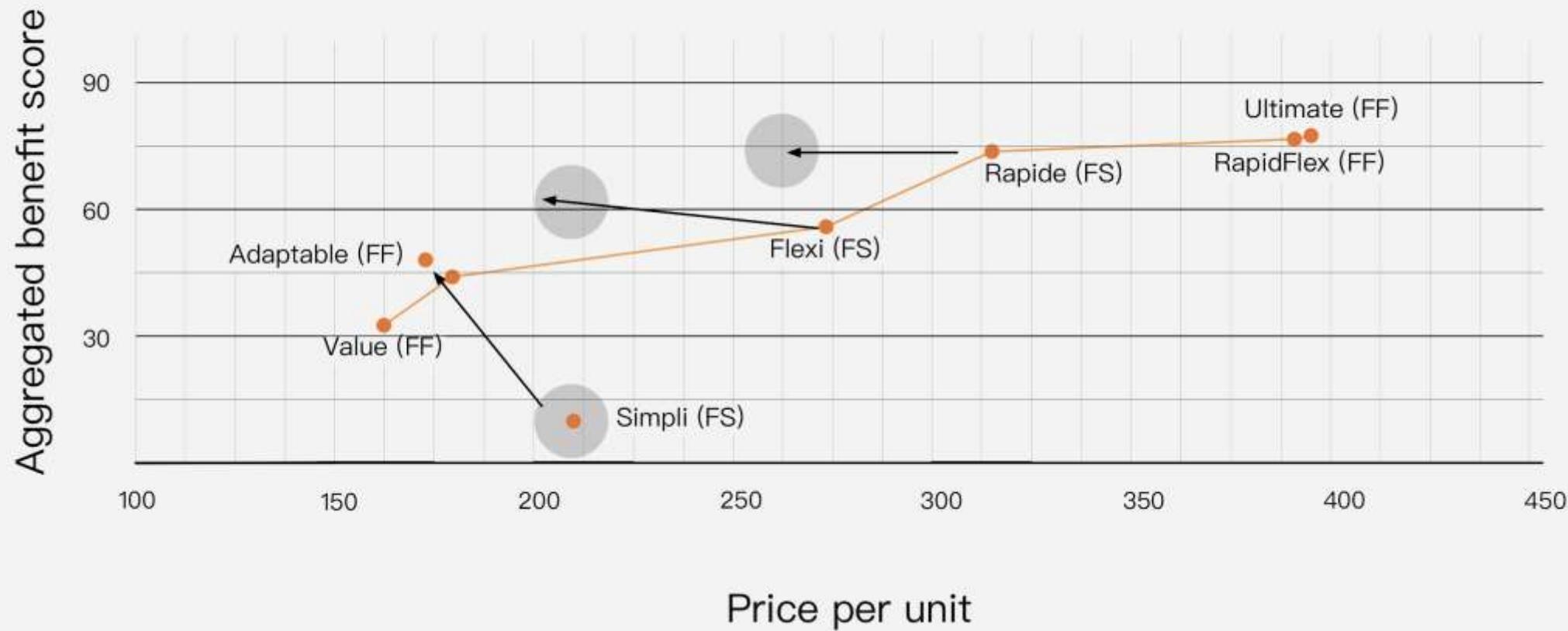


Equipment – Market Segment Position

- Portfolio isn't currently as competitive as Flexi-foods. However, it can be.
- The Development of RapiFlex has enabled Food solutions to be competitive on the high-end market.
- Simpli as a product offering performs poorly across all market segments
- Currently we are looking to re-allocate resources. Discontinuing the current Simpli model.
- Rapide is a high price compared to Flexi as a product offering with limited benefits across all customer segments.

Strategic repositioning of current equipment lines

EXAMPLE – SEGMENT: Small/Simple



Price per unit



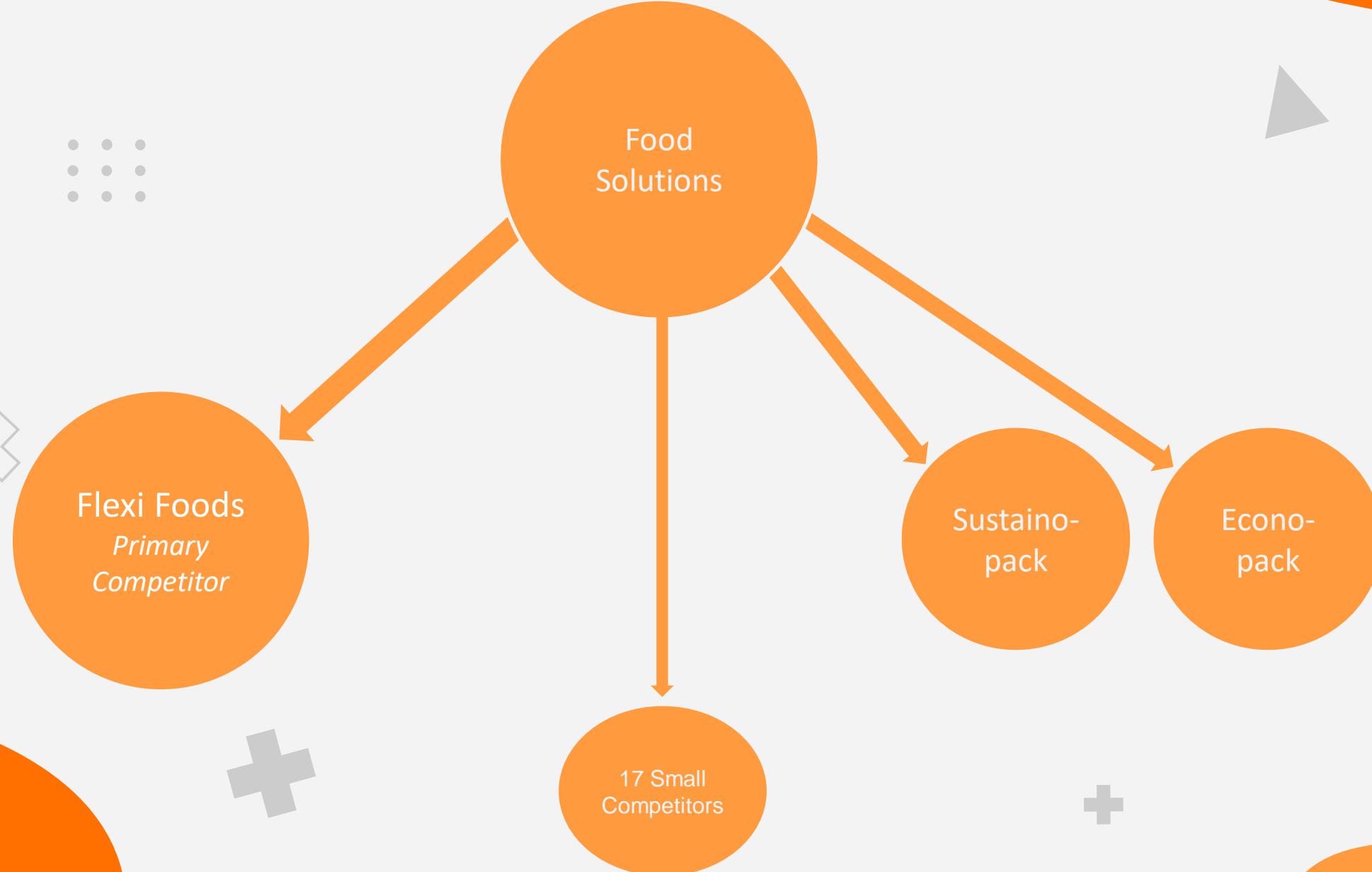
Strategic repositioning of current equipment lines

- Flexi-foods have reduced their fixed manufacturing costs for Ultimate to below 15% of the total cost of equipment. **Reduce fixed manufacturing costs across the range,** (For Rapide, currently it's 22% of the total cost of equipment)
- Phase out Simpli – **Simpli is a good product**, however, it is **poor value for money** when compared to the Value and Adaptable competition.
- **Introduce a new product** that can **compete with Flexi-foods bottom-end Value and Adaptable lines.**

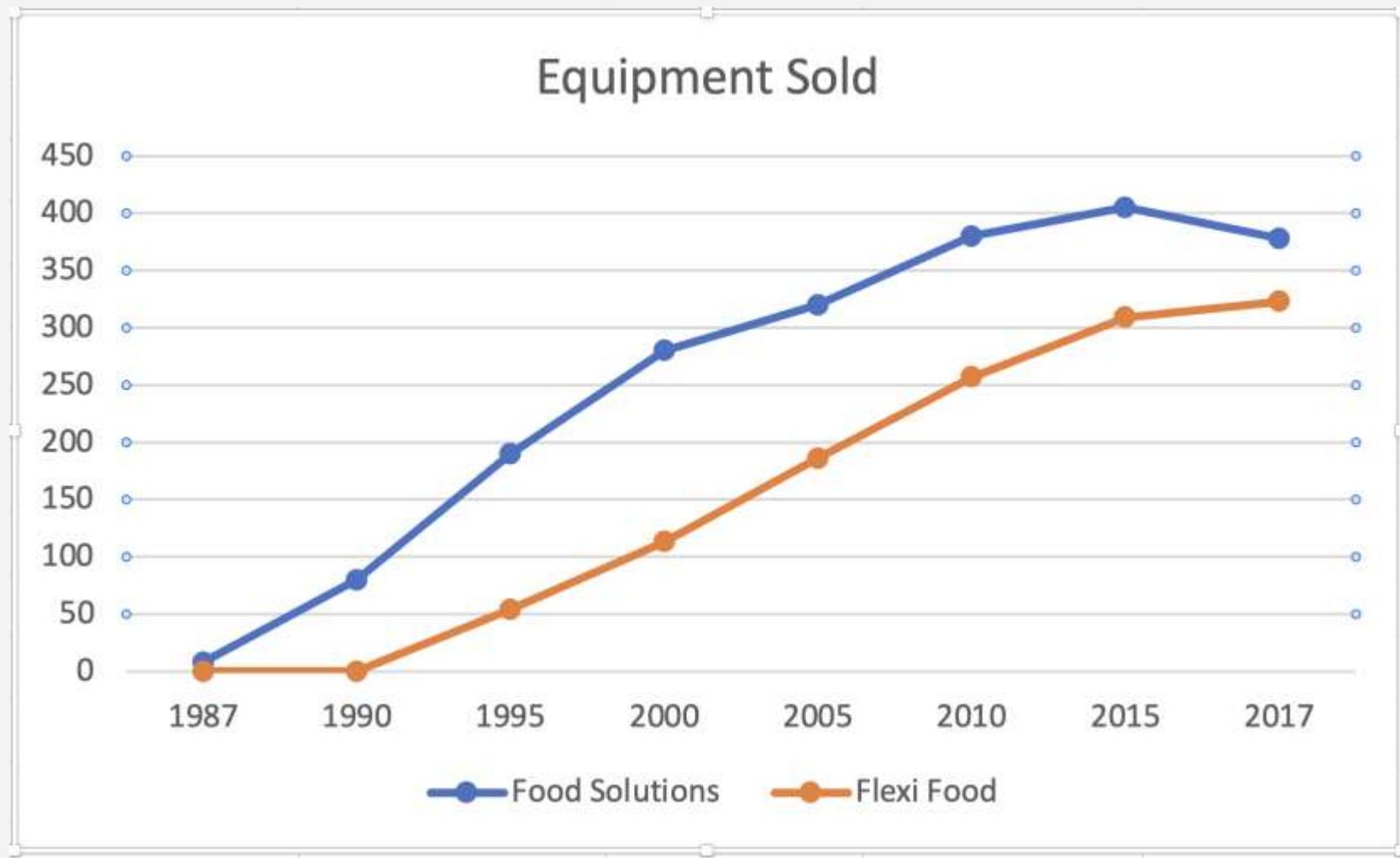
New Product Offering – Benchmarked against Simpli

- Net price – Under \$180,000
- Maintain the same machine footprint as the discontinued Simpli machine
- Reliability needs to be improved - currently 0 - adaptable 61.5 score(aggregate)
- Waste/recycling improved by 50% (current score = 0, adaptable score = 50)
- Increase mass and size of our machine compared to Simpli
- Greater package options
- Improve Product Coverage
- Change over time for different product reduce by 3 hours.
- Add roboticized palletization

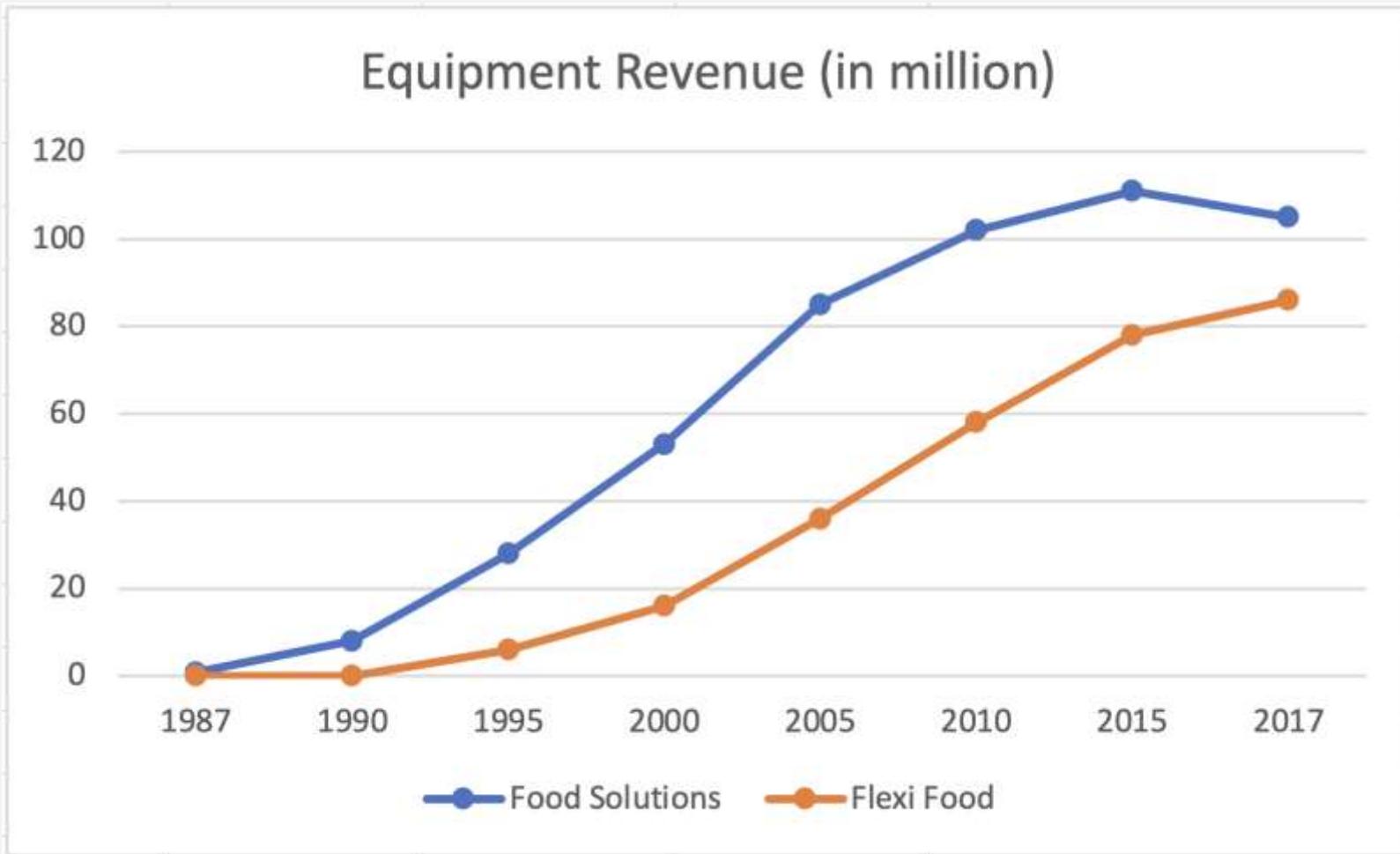
Market Players



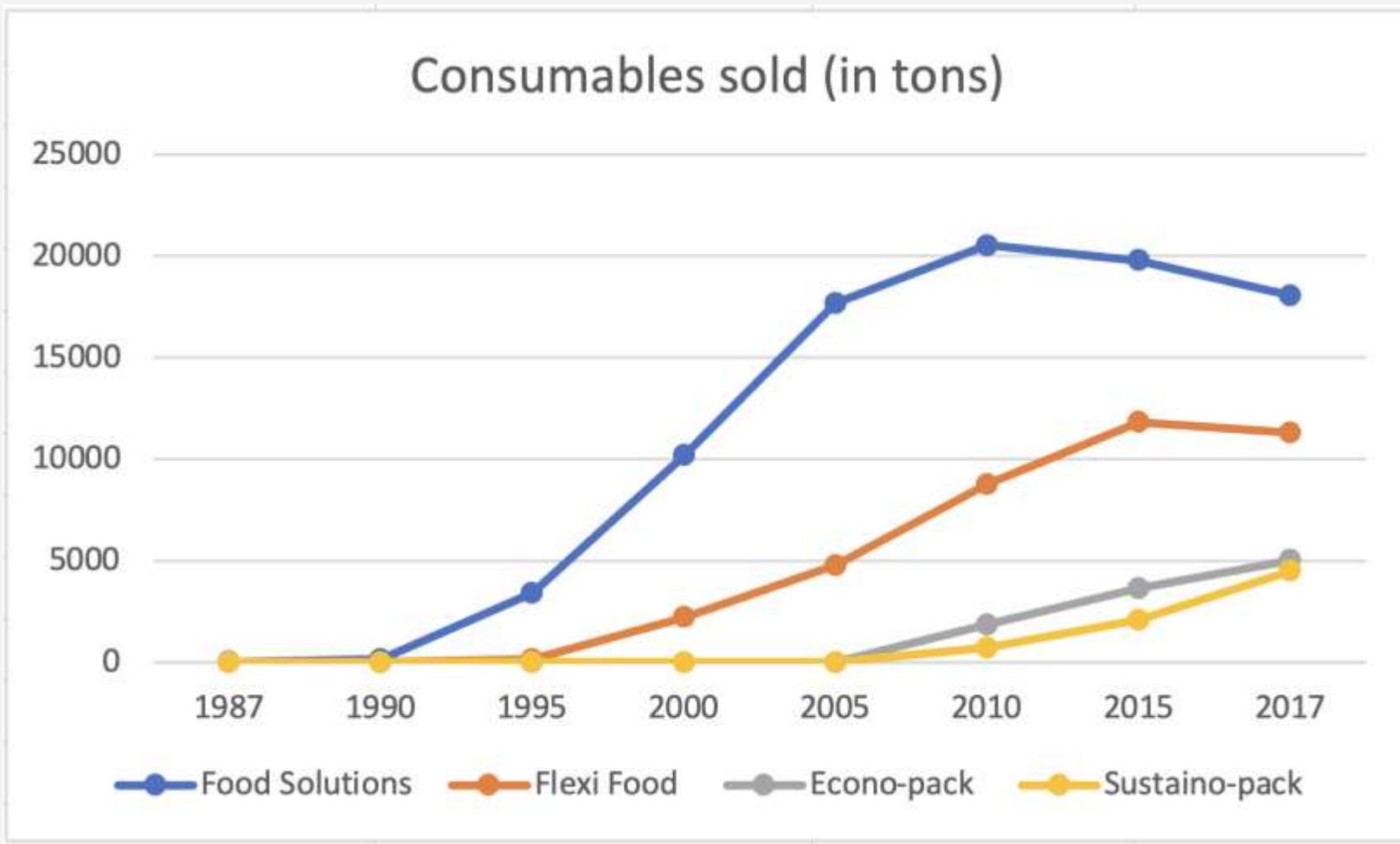
Equipment



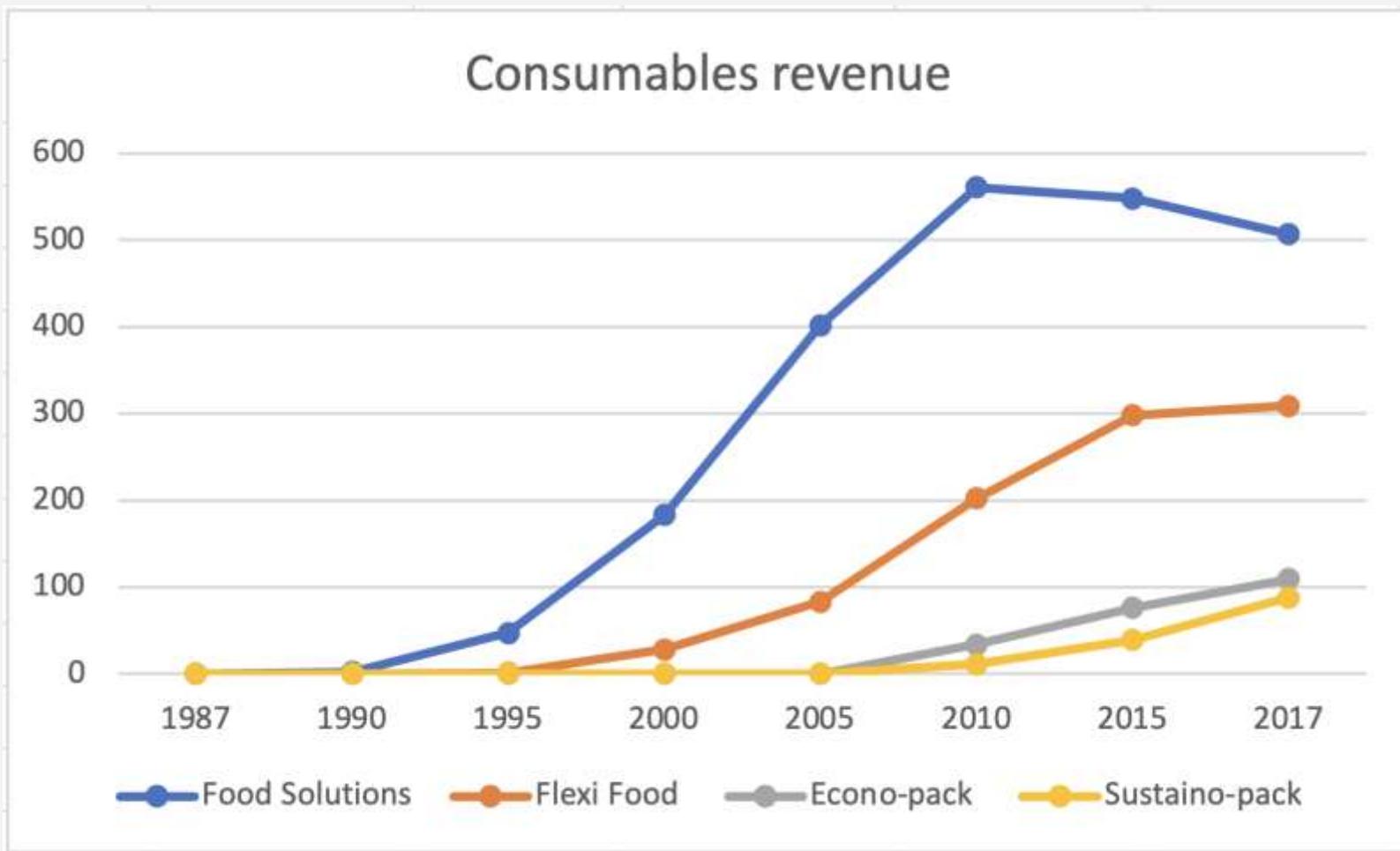
Equipment



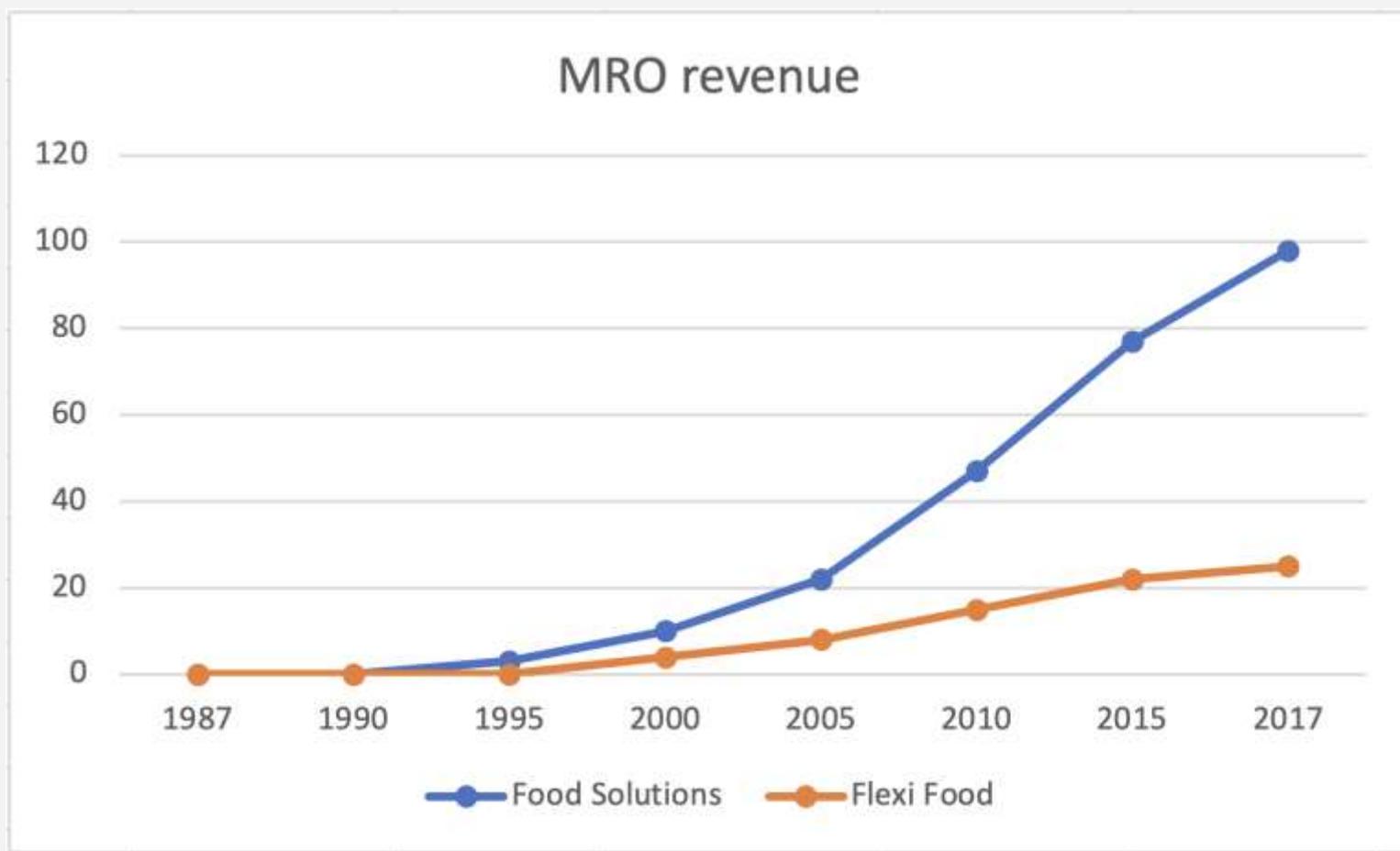
Consumables



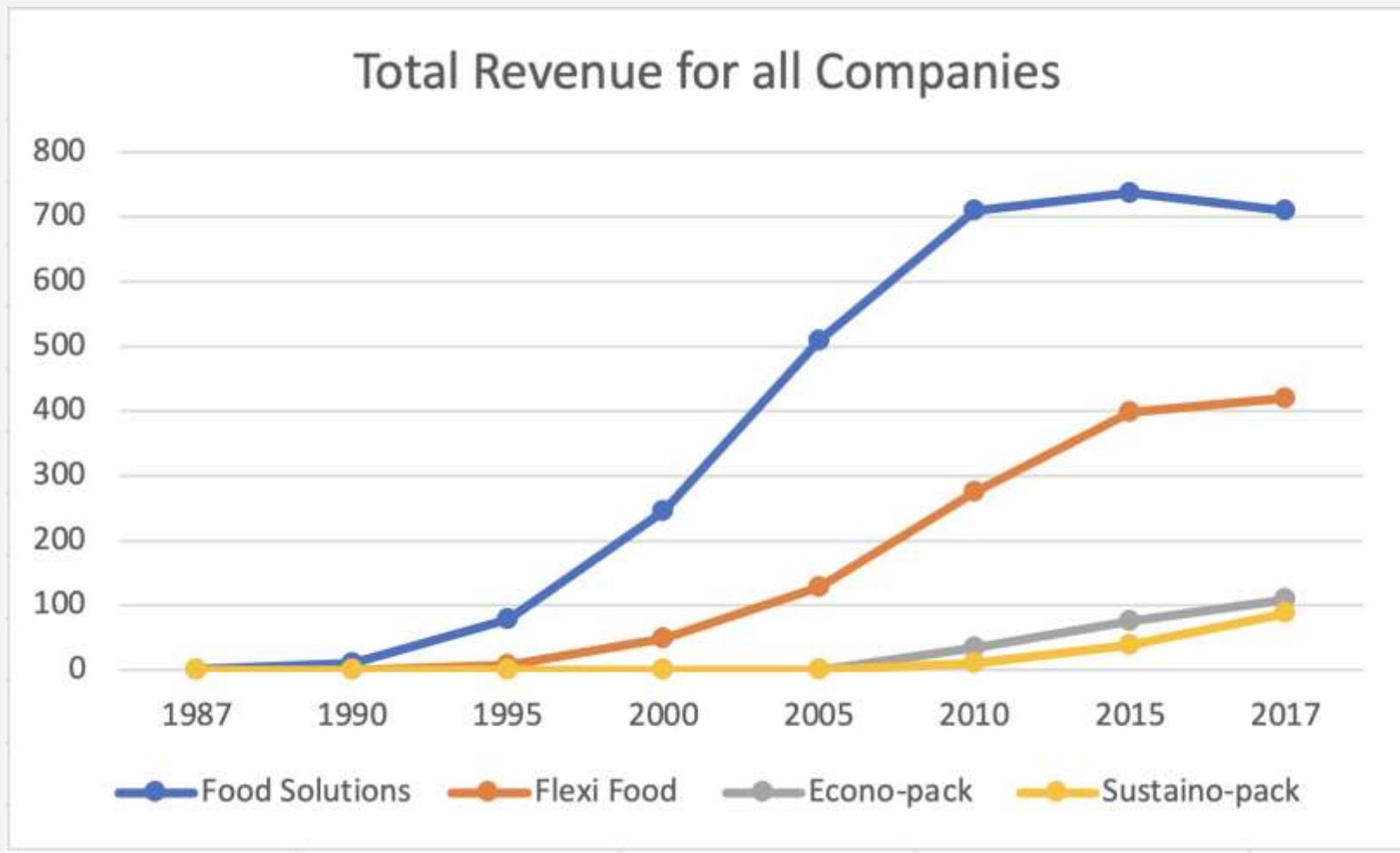
Consumables



MRO



Total Revenue (all companies)



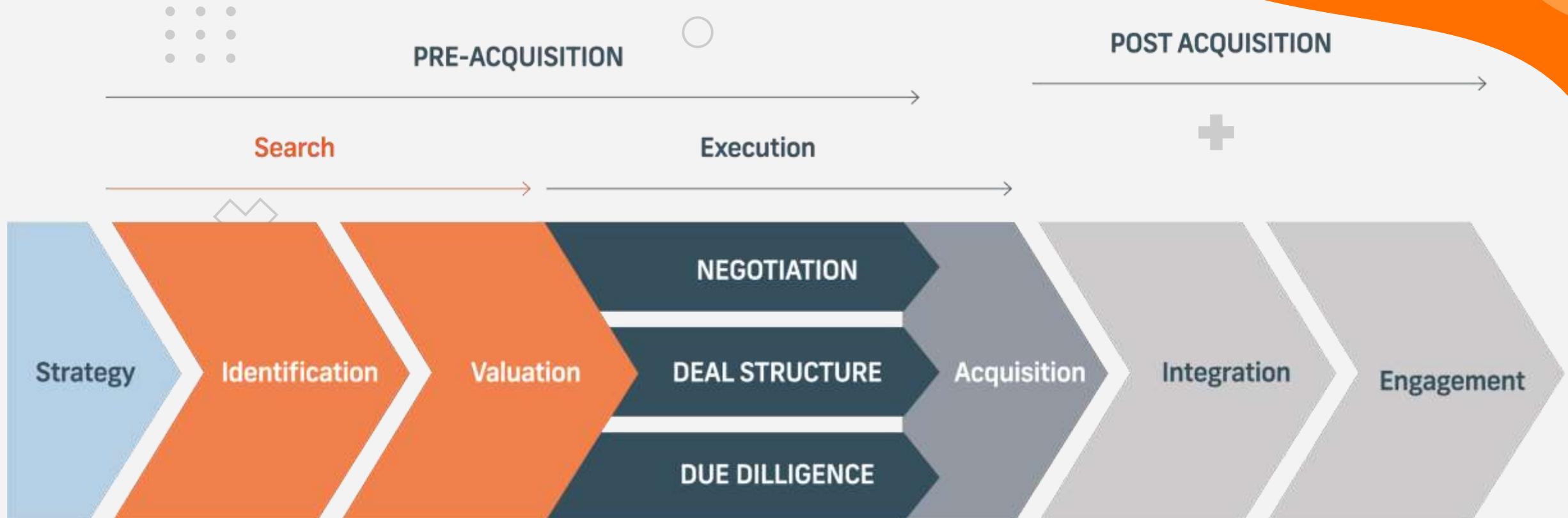
Competition Analysis - 2017

	FoodSolutions	FlexiFoods	Econo-pack
Operating margin	2.8%	8.7%	8.5%
Gross Profit Margin	30.6%	33.4%	28.3%
Return on sales	3%	5%	9%
Year on Year Revenue growth	-2%	2%	23%
Time Earned Interest	3.28	4.11	65.74

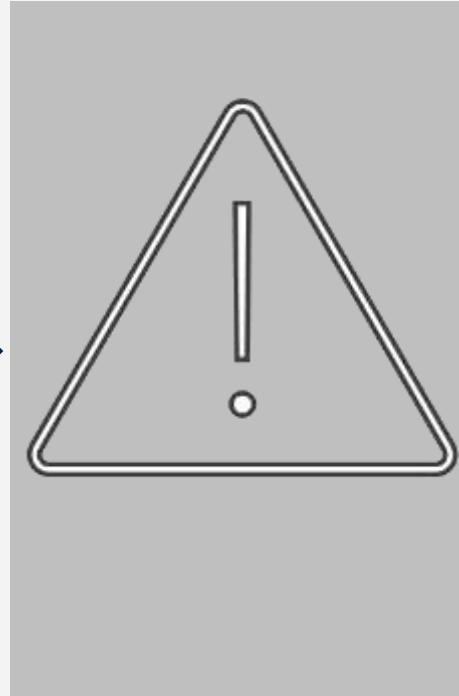
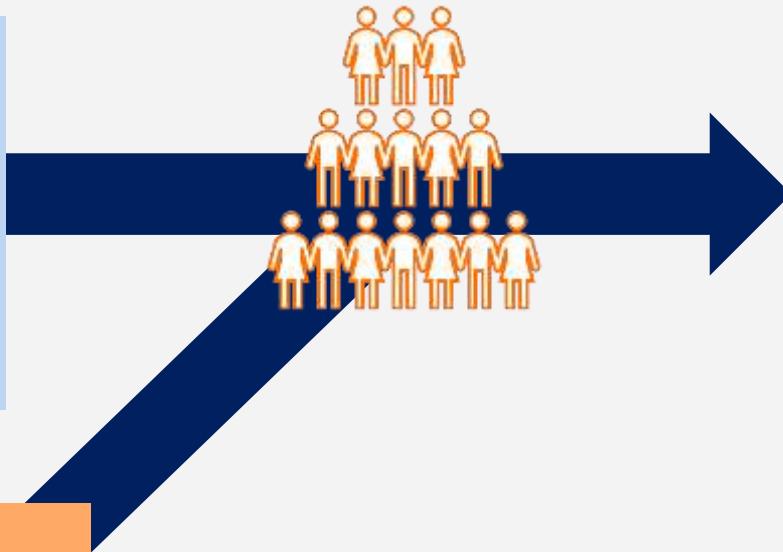
Acquisition Intro



Acquisitions Process



Partnerships & Mergers



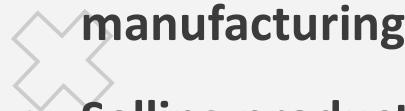
Business Targets for the next 3 years Consumables



Business Targets for the next 3 years Equipment

1

- Discontinue Simpli
- Negotiate with suppliers to get reduced price and improving on total benefit score for Flexi and Rapide



- Focus on cost-effective manufacturing

- Selling products online across multiple platforms.

2

- Increase sales into new markets – increase to more than 23 countries



- FoodSolutions go public

3

- R&D - Introduce a new machine to market to rival Adaptable and Value



Business Targets for the next 3 years

MRO & Consultancy



Scenario Planning

Proprietorship

- Food Solutions goes public- enough funding to develop vertical integration throughout the supply chain.
- Raw materials suppliers will be forced to shut down due to decreasing revenue.
- Sustaino-Pack will have to
 - source raw materials from Food Solutions - loss of bargaining power
 - Food Solutions acquiring Sustaino-Pack to prevent them from being insolvent

Titanic

- Sustainable technology becomes the norm and industry-standard within 5 years
- Sustaino-Pack leads the entire food packaging market with propriety eco-friendly consumables
- Advancement in technology propels other competitor equipment to surpass Food Solutions by a considerable margin
- Food Solutions unable to go public due to poor public image

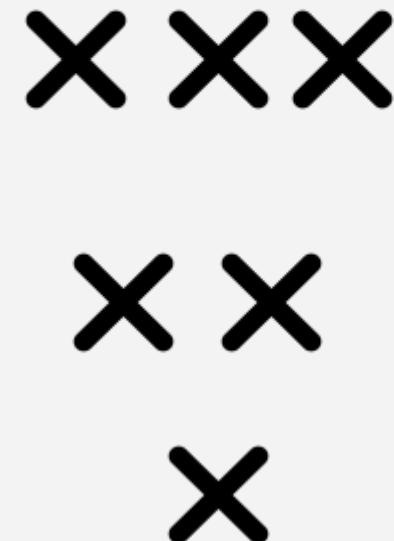
Scenario Plan

Consumables Strategy

Proprietorship



Titanic



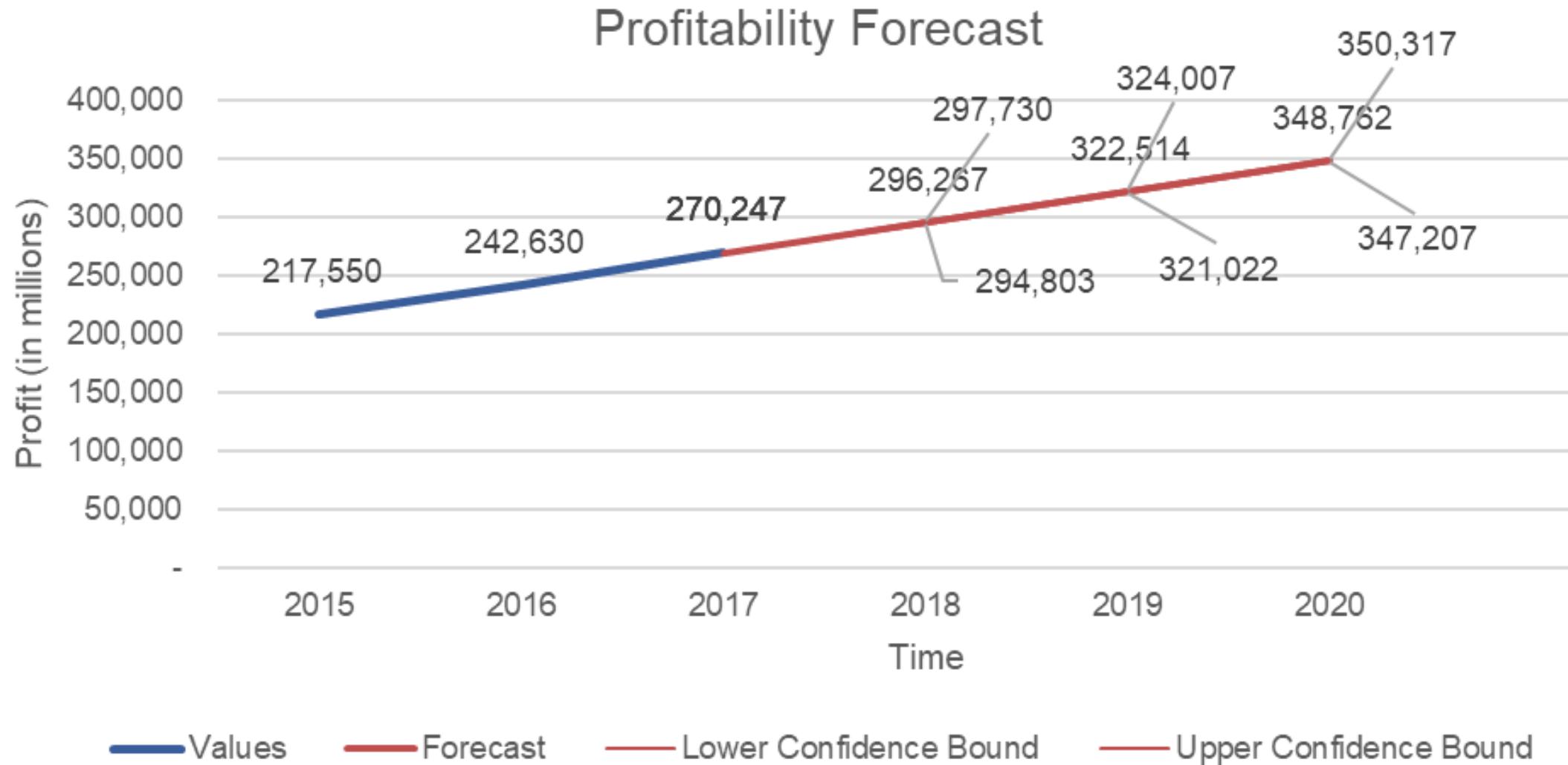
Equipment Strategy



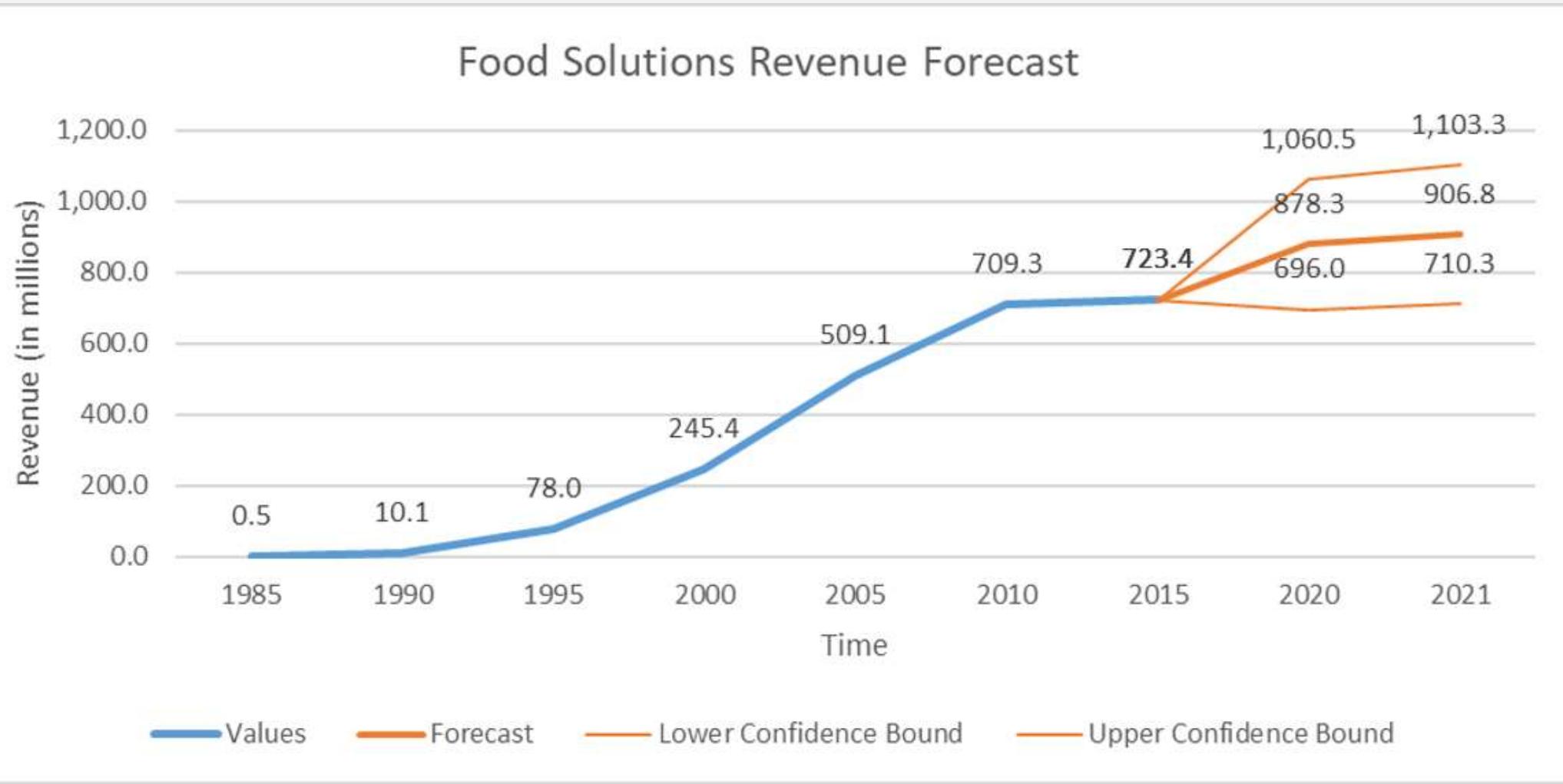
MRO
& Consultancy Strategy

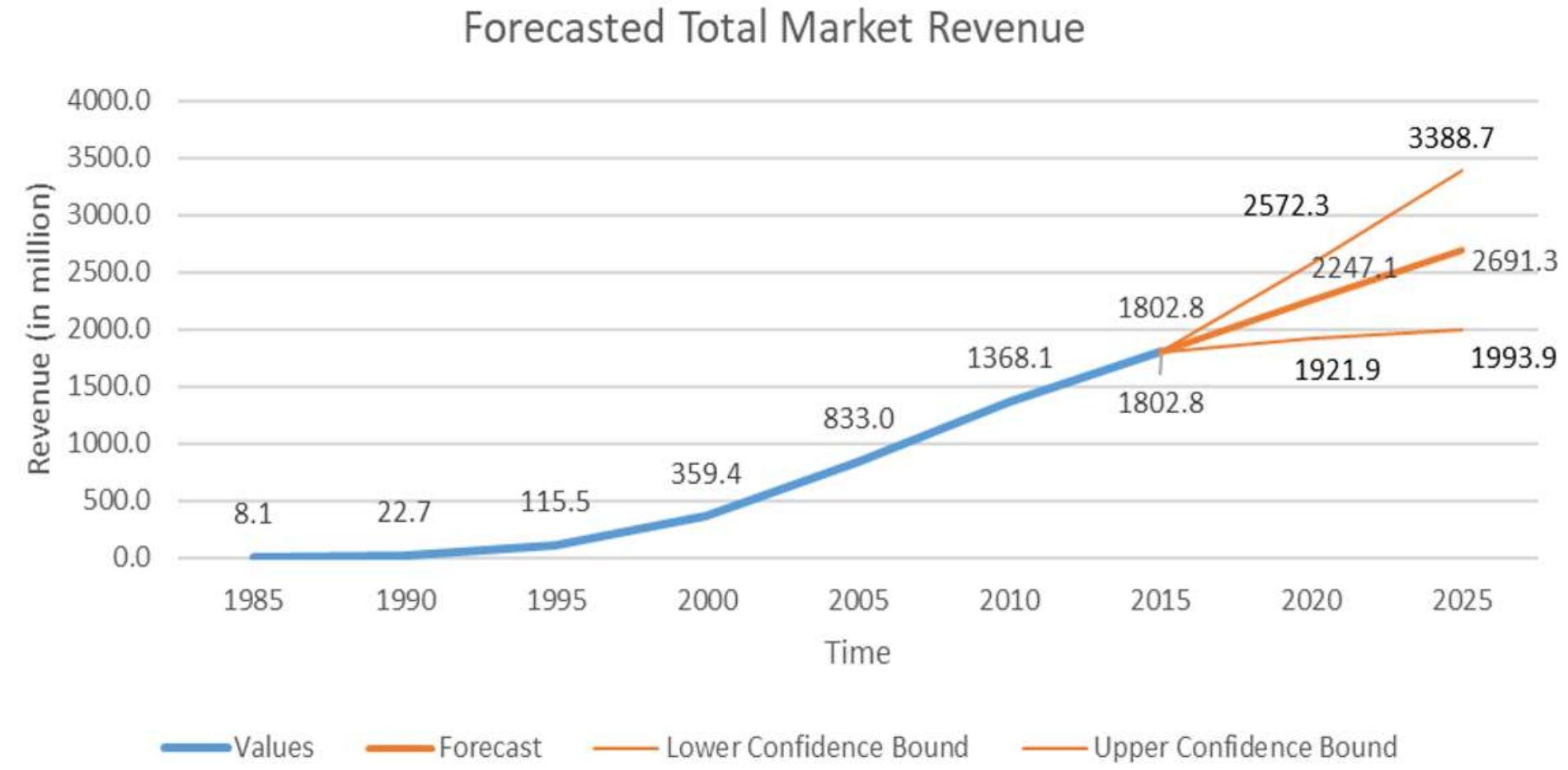


Top & Bottom-Line Forecast



Top & Bottom-Line Forecast





Conclusion

- Transition from internal development and resolution to external  expansion.
- Building the worldwide reputation through MRO and Consultancy.
- All combined will increase profits and revenue
- Increase our global market share across multiple customer segments

Thank you

Appendix

New Product – 4 Ps

