

ACPA 7002
2030244
September 2022

the pudding compartment

THE
CREATIVE
BAKE CO



Project Proposal – Accelerated Growth Project

1) Introduction

Before looking forward, it can be useful to remind ourselves of where we have come from

- 2007 to 2015
 - Artisan products for food festivals etc
 - Puddings, cheesecakes, cream cakes, pastries, traybakes, cookies, shortbreads, biscuits, muffins, cupcakes
 - 20Kg to 50Kg production runs
 - Highly skilled, very limited capacity
- 2016 to 2020
 - Fewer products, bigger customers - pub groups, Chester Zoo, Blackpool Tower, universities
 - Consolidated product range: traybakes, individual dough products, large cakes
 - 100Kg to 200Kg runs
 - Medium skilled, increased capacity - introduced mechanisation to packing – flow wrappers
- Covid 2020 to 2021
 - High volume individual products for NHS, schools etc
 - Developed and introduced Creative Bake brand – focus on coffee shops
 - 250Kg to 1000Kg runs



What is happening in 2022?

2) 2022 to 2023 – Accelerated Growth Project

2022 has brought many challenges

- Unprecedented ingredient and packaging inflation → Management of costs and prices to minimise margin erosion
- Skills shortages, wage inflation
- Capacity constraints

And some excellent opportunities:

- New product launch – Creative Bake range
- Excellent sales growth opportunities



TPC has developed new Manufacturing and Sales strategies - build on past successes and move the company forward:

- Consolidate to becoming a specialist in tray products
- Invest in new equipment for product consistency, increased capacity, improved efficiencies

ACCELERATED GROWTH PROJECT

3) Why consolidate to tray products?



Tray-based products currently 60% of sales

'Experts' at tray-based products

Versatile – efficient - maximise our current and future assets

Confident we can fill our (increased) capacity



	Large Round Cake	Ind Dough Product	Tray Product
Example	Chocolate cake	Scones, shortbread	Brownie, flapjack
Output/shift, £	2,794	3,795	5,397
Capacity/year, £	698,000	948,000	1,349,000

Currently make a mixture of all 3 of the above, capacity is £1M for a single shift – set up is not optimised for anything

4) Accelerated Growth Project overview

- Significantly improve product consistency and quality
- Improve GM from 63% to 75%
- Increase capacity from £1.35M to £3.25M
- Financial improvement of between £122K per annum and £1.58M per annum
- Investment of £280K*
- Lifespan of equipment: 10 years+

Process Flow: Weigh – Melt – Mix - Deposit – Press - Bake – Cool – Portion – Wrap - Pack

- Re-layout of shopfloor to allow change from production cells to production line

- Capital Equipment Purchases:

• Melting Tanks	x 4	£19K
• 160Q Programmable Mixer & bowl lifter	x2	£48K
• Auto Press	x1	£45K
• Rack Ovens	x2	£40K
• Auto Cutter	x1	£70K
• Flow Wrapper	x1	£30K
• Services & Set Up		£12K
• Commissioning & Training		£16K

Total Project Cost

£280K*



5) Accelerated Growth Project – financial impact

Potential Impact on Annual GM Contribution

Scenario 1 – No Investment, operating at full capacity (tray products) (Base line)

- 63% x £1.35M £850K GM/Yr

Scenario 2 - £280K Investment, static sales (Productivity)

- 72% x £1.35M £972K GM/Yr (+ £122K vs S1)

Scenario 3 - £280K Investment, maximum sales, Tray products only

- 75% x £3.25M £2435K GM/Yr (+ £1,585K vs S1)

(Note: Sales will be increased over a 5 year period for this model)

(Note: Additional shifts possible)

6) Financial Rationale: Screening

Part 1 – Screening – **Payback** - target 3 years or less, **ROI** – target 33% or better

Current Volume - Scenario 2									
0	1	2	3	4	5				
-£280,000	£122,000	£122,000	£122,000	£122,000	£122,000		PB	2.30	years
ROI	43%	43%	43%	43%	43%				
-£280,000									

Increased Volume - Scenario 3									
0	1	2	3	4	5				
Sales	£1,350,000	£1,825,000	£2,300,000	£2,775,000	£3,250,000		MANUALLY CALC		
-£280,000	£122,000	£495,000	£860,000	£1,234,500	£1,618,500		PB	1.56	years
ROI	43%	176%	307%	440%	577%				
-£280,000									

Payback period – how long does it take to get the cash back that is invested in the project? (Does not take into account the time value of money so no adjustments – so is cash related). Break even point.

7) Financial Rationale - Validation

Project is strategic (rationalisation & consistency), so it hasn't been compared to other projects.

- NPV is positive
- PI ratio is positive
- IRR strong
- **IN BOTH SCENARIOS THE PROJECT PASSESS ALL OF TPC'S FINANCIAL ANALYSIS REQUIREMENTS**

Current Volume - Scenario 2									
	0	1	2	3	4	5			
	-£280,000	£122,000	£122,000	£122,000	£122,000	£122,000			
WACC 15%								NPV	£128,963
1							(Manual NPV	£129,066)	
	-£280,000							PI	1.46
IRR		33.17%							
Increased Volume - Scenario 3									
	0	1	2	3	4	5			
Sales		£1,350,000	£1,825,000	£2,300,000	£2,775,000	£3,250,000			
	-£280,000	£122,000	£495,000	£860,000	£1,234,500	£1,618,500			
WACC 15%								NPV	£2,276,352
1							(Manual NPV	£2,276,769)	
	-£280,000							PI	9.13
IRR		132.04%							

This takes into account time value of money – inflation, interest rates etc

15% WACC has been used due to the current highly inflationary environment.

Our future income has NOT been adjusted for inflation, model assumes zero grant and single shift, so the above is considered to be a worse case scenario

8) Timeline

&

Funding options

Staged implementation:

• Prepare services	Month 1
• Re-layout existing equipment	Month 2
• 2 x Melting tanks	Month 3
• 1 x Rack Oven	Month 3
• 1 X 160Q Programmable Mixer & bowl lifter	Month 3
• Auto Press	Month 4
• Cutter	Month 5
• Training	
• SUB TOTAL INVESTMENT	£196,500
• 2 x Melting tanks	Month 13
• 1 x Rack Oven	Month 14
• 1 X 160Q Programmable Mixer & bowl lifter	Month 14
• Flow Wrapper	Month 15
• SUB TOTAL INVESTMENT	£83,500

Short list of Funding Options: (Many other are available but these are the most pertinent to this project:

- Director's Loan / Owners Equity
- Asset-based finance / Hire Purchase
- Grant Funding
- Overdraft
- Future Profit/Cashflow

Current climate – suggested funding

- 40% Grant Funding – FBIS Welsh Government
- 60% Asset Finance



Grant funding has not been taken into account in analysis so if this is employed the actual returns are stronger:

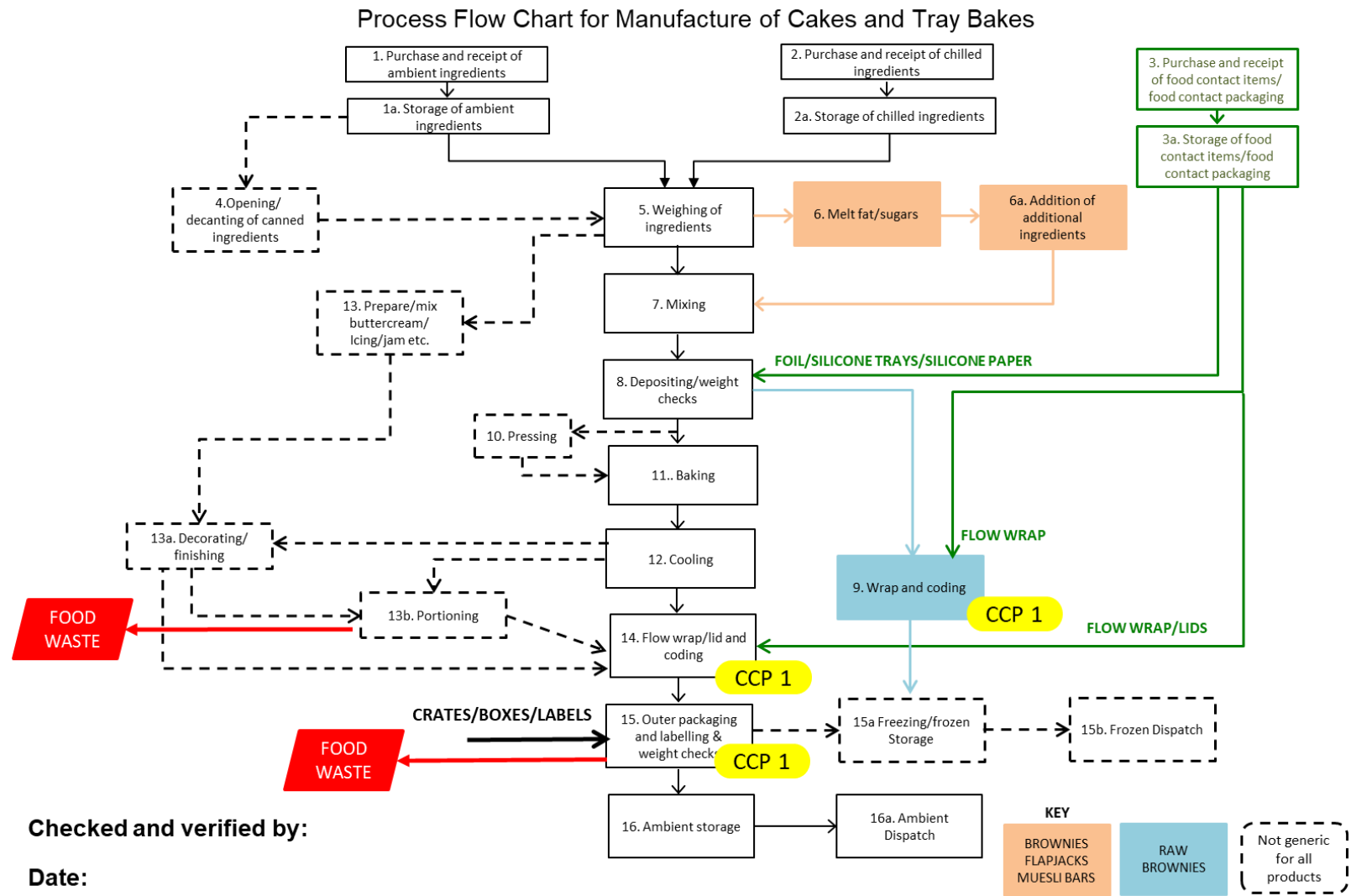
- PB 1.1 /1.09
- PI 3.04 / 19.01
- NPV £274K /£2.4M
- IRR 87% / 214%

9) Conclusions and Recommendations

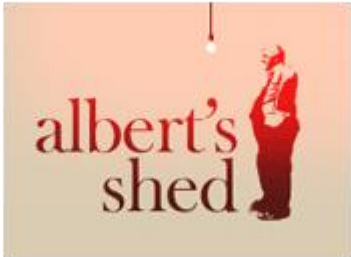
- Recommend that we go ahead with this project in a staged implementation
- Fund project with grant funding (If possible) and Asset finance.
- Step 1: Implement phase 1 with existing product mix to make current production more efficient and consistent whilst adding extra future capacity
- Step 2: Line up additional sales to start utilising additional new capacity. (Concentrate on Tray products for new sales)
- Step 3: Implement Phase 2. Phase out other products, replace with further sales of tray based products to reach full potential (Scenario 3)

THANK YOU FOR YOUR TIME
PLEASE FEEL FREE TO ASK ANY QUESTIONS

Appendix 1 - Process Flow



Appendix 2 - Our customers (Current & pre-pandemic)



Arlwyo a Glanhau
NEWYDD
Catering & Cleaning



he University of Manchester

