

A Work Project, presented as part of the requirements for the Award of a Master's degree in Finance from the Nova School of Business and Economics.

STRATEGY FIELD LAB

CERCICA: Portfolio Revision and Transformation Plan

Section 4: CERPLANT

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Since its creation, Cercica has grown rapidly, however in an unstructured and non-sustainable way, currently facing a significant funding gap. Given this outlook, the work project is a portfolio revision and consequent transformation plan where CerPlant is considered one of the BUs of intervention, due to its entrepreneurial nature and untapped potential. Accordingly, the following research question was addressed: *What initiatives can CerPlant implement in to become more competitive and provide alternative funding to Cercica?* The following structure is proposed to tackle the research subject:

I. Overview: starting point where general information regarding main business areas and clients were identified through on-site visits and presentations from previous projects.

II. Diagnosis: Based on accounting data provided by the organization referring to the year of 2019, a financial diagnosis was conducted through a value tree analysis where operational revenues were broken down by business area, source of revenue and costs. In addition, an organizational diagnosis was performed, supported by a data survey where internal points of view of BU coordinators and employees were considered, as well as several individual interviews with CerPlant's coordinator.

III. Analysis & Recommendations: Based on previous diagnosis, two underlying issues were identified: 1) Social purpose leads to the inclusion of people with disability, not being taken into account its effects on teams' productivity; 2) Entrepreneurial component leaves unexplored revenues to further support Cercica financially. A 3 step-methodology to provide recommendations was applied to each identified pain point: solution proposition and implementation, monitoring and expected result.

IV. Financial Impact: The financial gain of the suggested recommendations, with a best and worst case scenario, is plotted in a waterfall graph. In case of successfully implementation, CerPlant is expected to increase its operational profit from €29,208 to €52,935 in the best scenario. In a more conservative scenario, Cerplant would increase profits by €12,489, resulting in an operational margin of 5.2% or 6.5% depending on the scenario, compared to 3.7% in 2019.

Key words | *Social entrepreneurship; Implementation plan; Gardening; Employee productivity; Compensatory mechanisms; Client Segmentation; Portfolio revision;*

04. CERPLANT

CERCICA

Portfolio Revision and
Transformation Plan


Academic Advisor:

José Miguel Pita

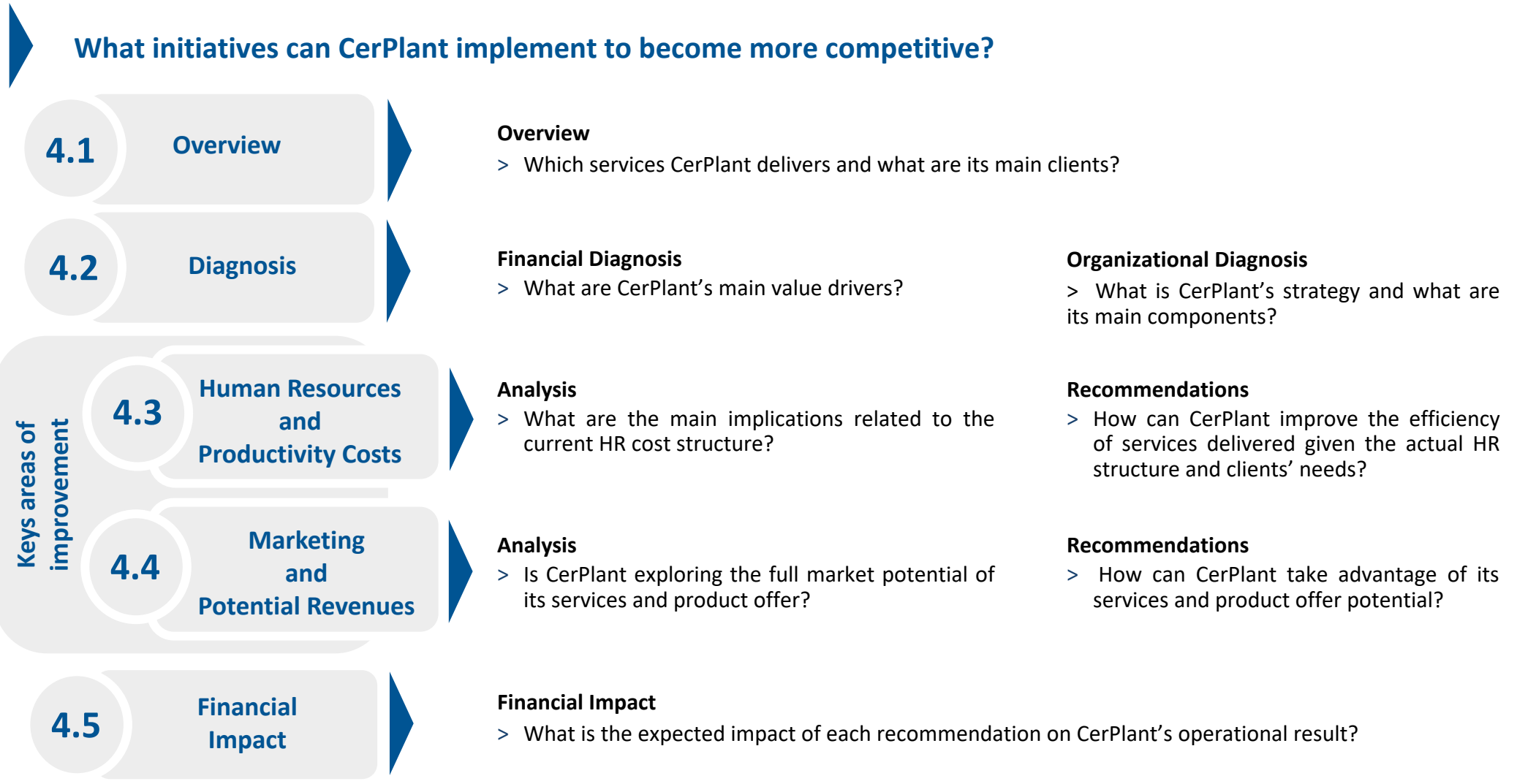
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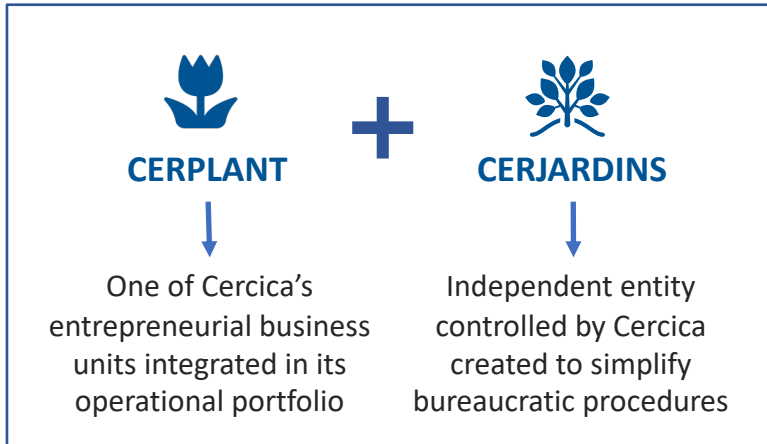
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CERPLANT



CerPlant operates along with CerJardins to deliver 3 main gardening services for a wide variety of customers



Plants Production

Commercialization of 3 main types of products:

- **Ornamental plants**
 - Long-term plants (eg: bushes) and annual plants (eg: *amores-perfeitos*). CerPlant has 3 greenhouses to produce these type of plants
- **Organic Aromatic plants**
 - 1 greenhouse used to produce herbal infusions and tea
- **Organic Agri-food products**
 - Agricultural products such as fruit and vegetables
 - 1 organic garden and a partnership with Cercilisboa

103,873 ⁽¹⁾
Plants Sold

Main Clients

Public Clients	Private Clients
CASCAIS AMBIENTE (EMAC)	Companies
Public Schools	Households and Elderly Homes
Parishes and Public areas	Condominiums
	Private Schools
	Farm

Green Spaces Maintenance

Regular services (contracts) consisting of **weekly maintenance** of different types of green spaces:

- **Public clients** – reduced number of clients with large surface areas
- **Private clients** – higher number of clients with lower relative importance

185 ⁽¹⁾
Garden Maintenances

Green Spaces Construction

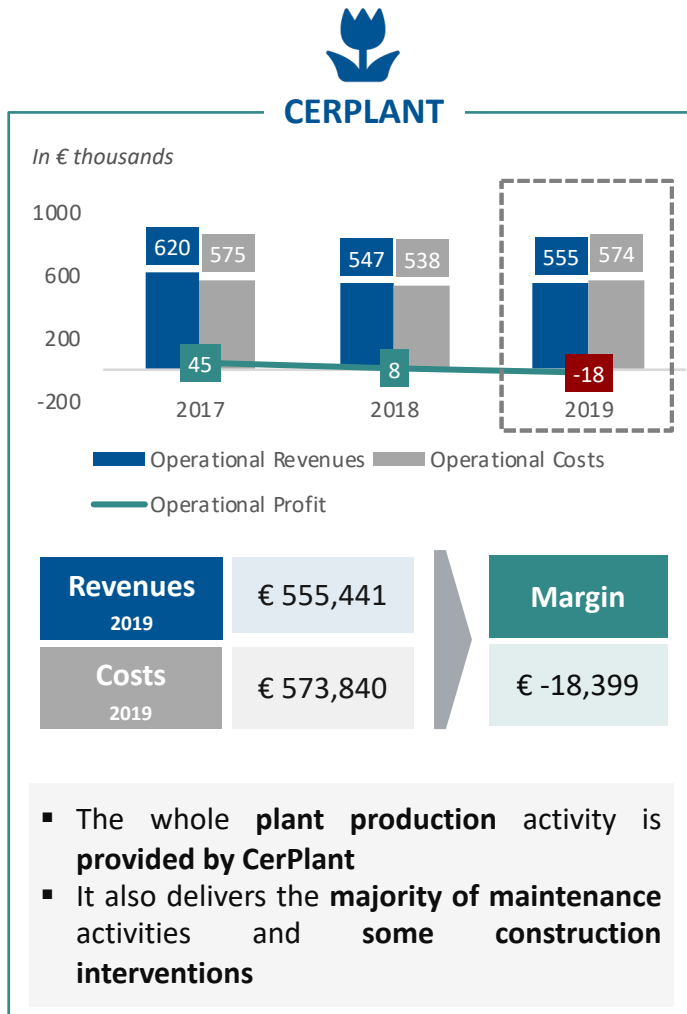
Specific projects **varying on their time span** depending on the type of gardening intervention:

- Land-clearing, trees pruning and felling, creation of whole new green spaces...

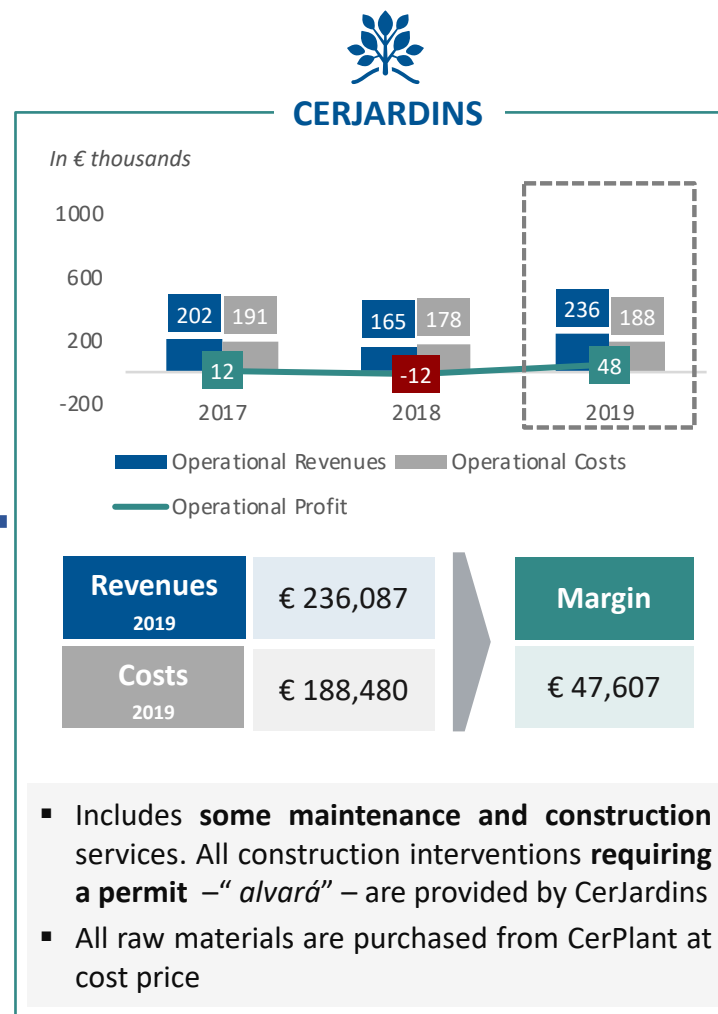
121 ⁽¹⁾
Gardening Interventions

⁽¹⁾ Figures obtained from 2019 financial statement

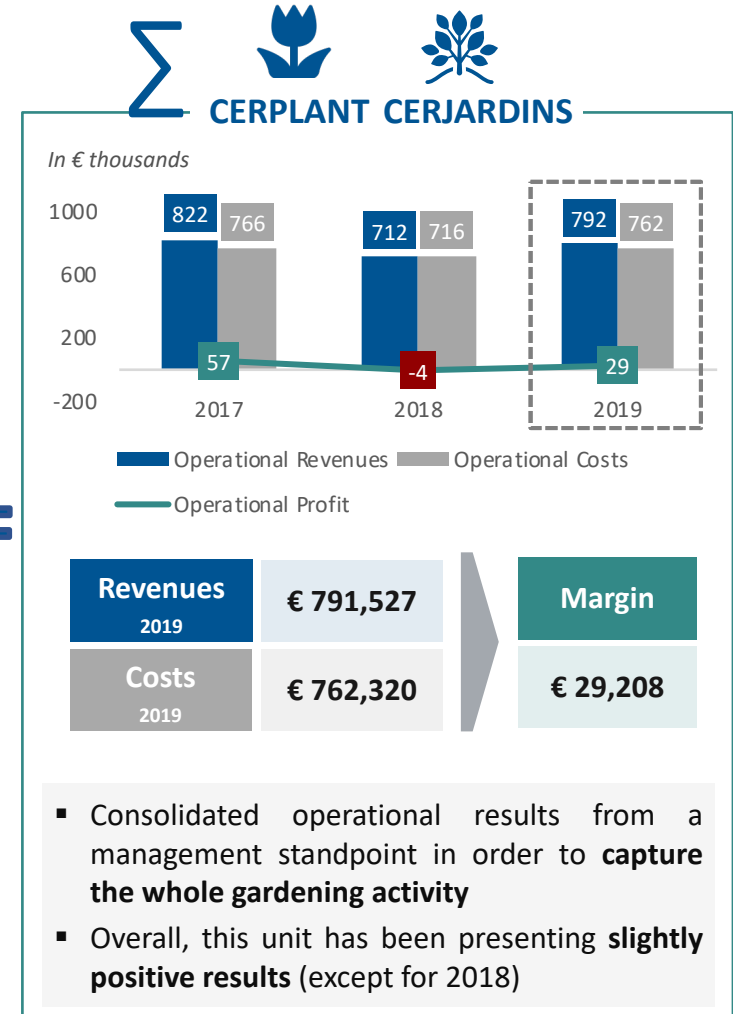
Since CerPlant and CerJardins' operations are complementary, the scope of the financial analysis should comprise both entities



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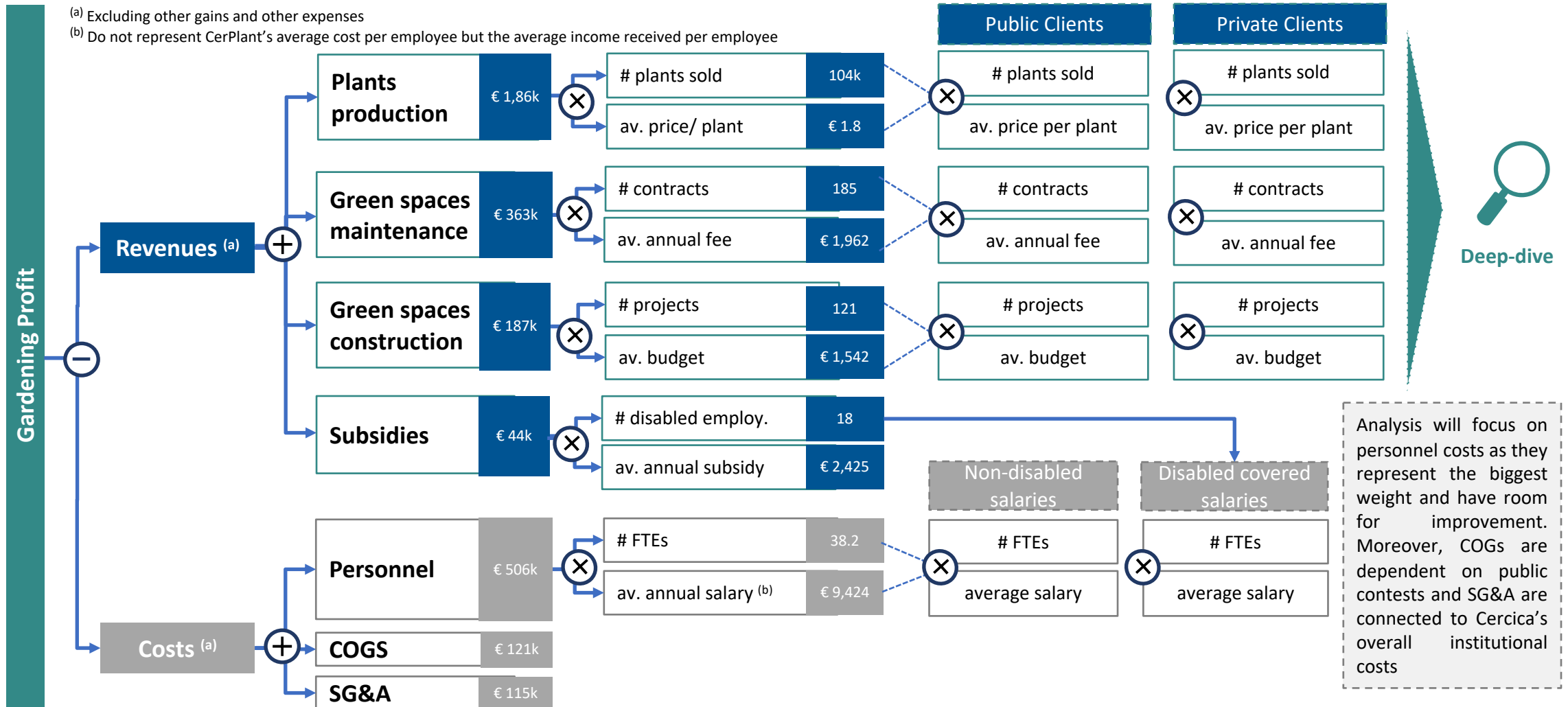


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* Information obtained from Cercica's accounting data

Gardening revenues are composed not only of operational revenues from the 3 main business areas but also of subsidies related to disabled employees



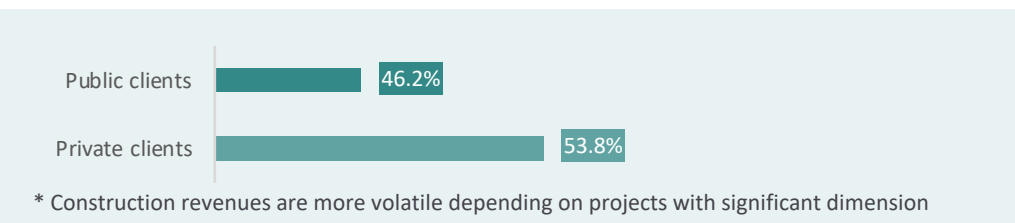
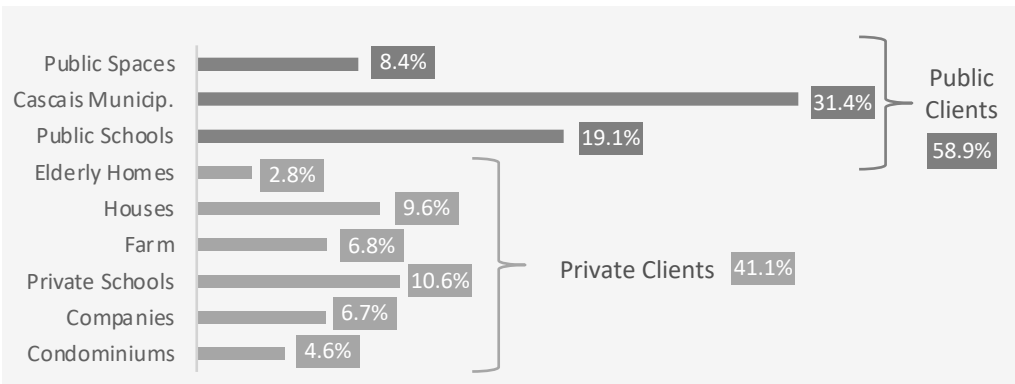
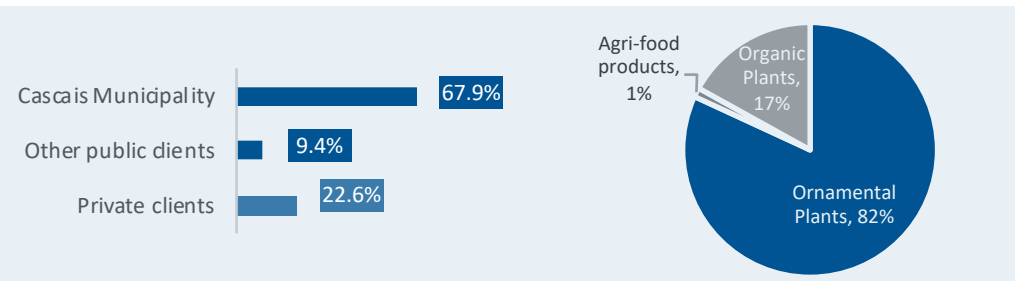
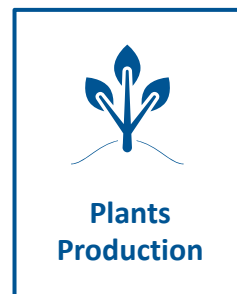
Green spaces maintenance stands out as the main service and Cascais Municipality as the main client contributing to gardening revenues stability

Revenues breakdown by product/service 2019

Production	€185,957	23.5%
Maintenance	€362,974	45.9%
Construction	€186,567	23.6%
Subsidies	€43,657	5.5%
Other gains	€12,372	1.6%
Total Revenues	€791,527	100%

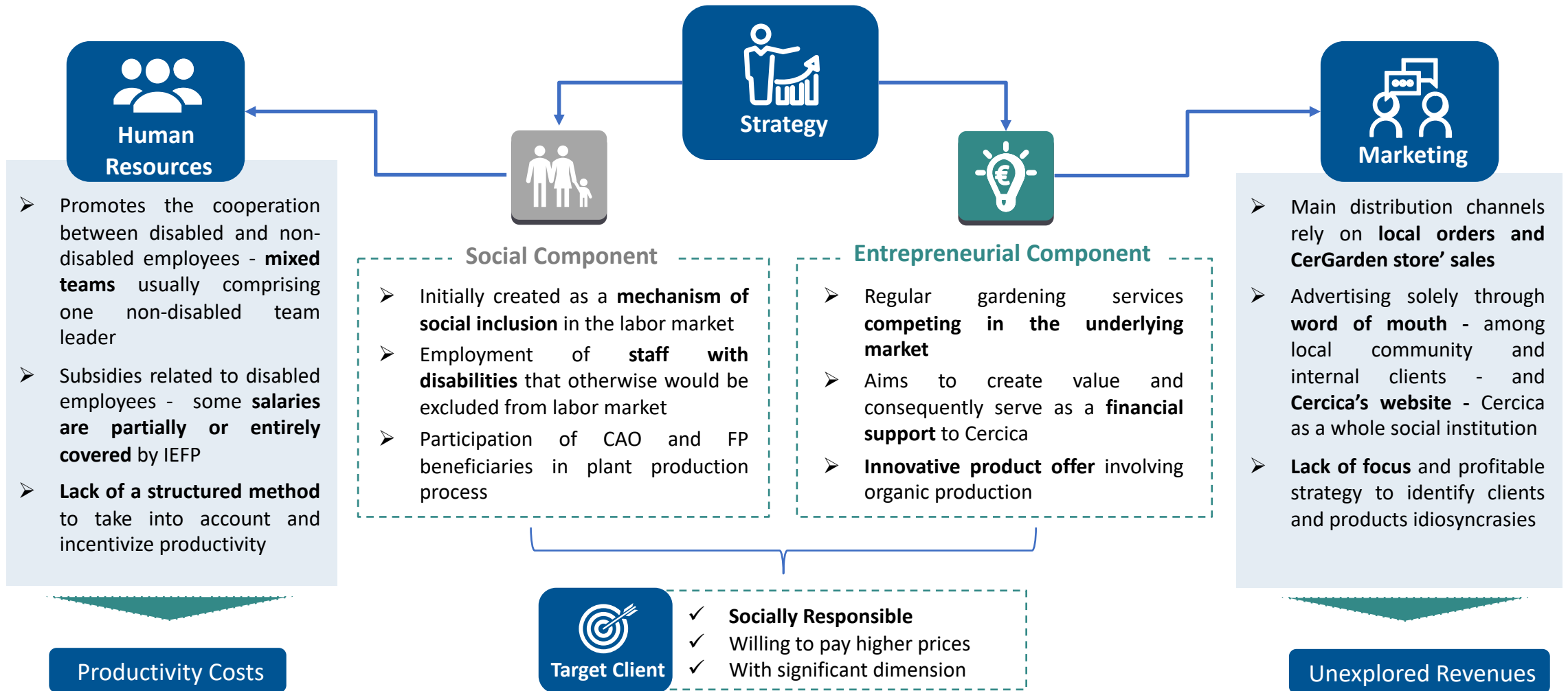
*Figures may not sum up to total due to rounding

Operational revenues breakdown by service/client 2019



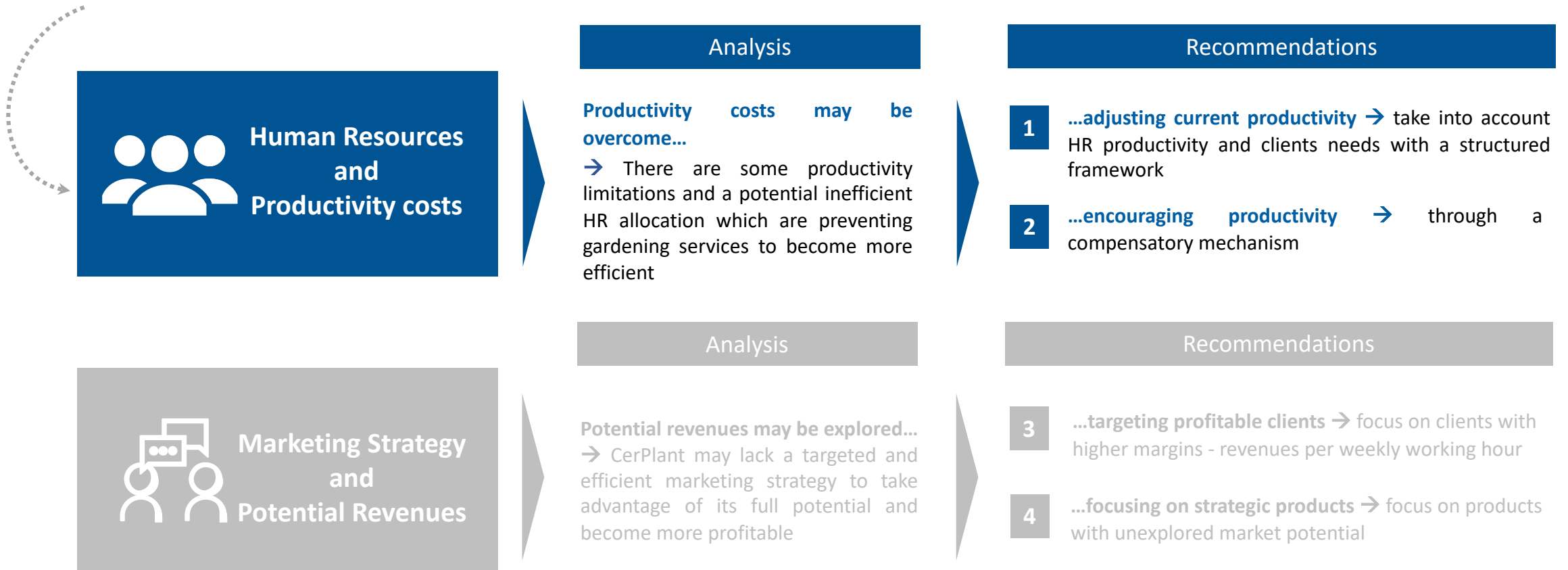
- **Cascais Municipality (CMC)** is clearly the most important and consistent client - CerPlant benefits from regular and pre-established agreements with CMC
- **Maintenance is the most relevant and stable** business area in terms of revenues. In contrast, **construction is the most volatile source of income** as it does not benefit from regular or pre-established agreements.

Gardening strategy includes not only an entrepreneurial but also a social component converging on a specific target client





* Information from Data Survey and interviews with CerPlant's coordinator

Our analysis will focus on the underlying issues associated with the 2 components of the strategy



HR structure is based on an equality principle among employees which jeopardizes the productivity and subsequent competitiveness of the unit

- (a) 0.2 relates to part-time employee
- (b) Excluding the salary of non-operational employees: coordinator, administrative, logistic and technicians
- (c) Also excluding team leader's salary

		21 employees with no disabilities	18 employees with disabilities
 Non-covered Salaries	Personnel costs entirely supported by Cercica	# FTEs: 20.2^(a) Standard salary: €600^{(b) (c)}	# FTEs: 7 Standard salary: €600
	 Covered Salaries	Partially covered <ul style="list-style-type: none"> ▪ Financed based on the percentage of disability CEI+ Agreement <ul style="list-style-type: none"> ▪ Entirely financed by IEFP 	<i>Does not apply</i>



Limited productivity by some team members affects productivity of the others

- Disabled employees are associated to **lower productivity** – represent 46% of labor force
- **Efficiency and prices of the services delivered** are being affected by these limitations

1 Adjust current productivity → take into account HR productivity and clients needs with a structured framework



Difficult to hire capable and qualified professionals due to lack of financial incentives

- All **standard gardeners, with or without disabilities, earn €600** per month. Few non-disabled employees can receive an additional small compensation for being **team leaders**
- There are **no financial incentives** to encourage productivity and professional growth

2 Encourage productivity → through a financial compensatory mechanism to create incentives

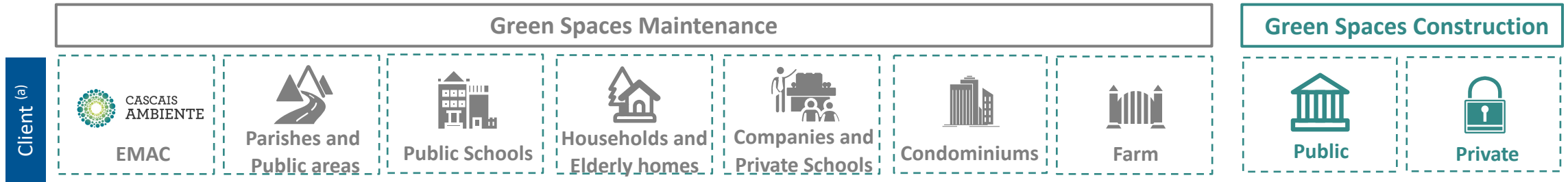


Prices charged by Cercica do not consider this **inefficient cost structure, resulting in less competitive profit margins compared to other gardening companies**

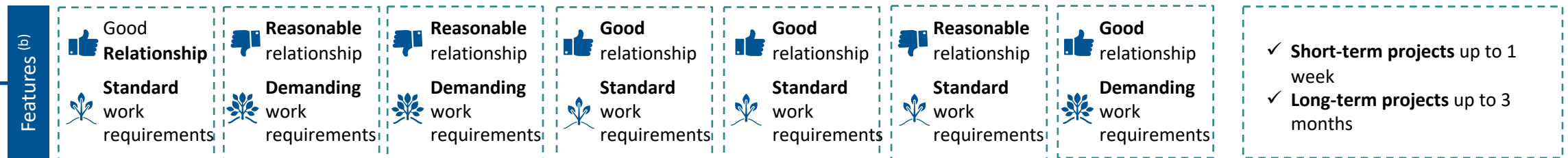
- CerPlant would have business potential to deliver positive and solid operational results if productivity limitations were taken into account

* Information related to salaries was provided by Cercica

Clients | Given the wide spectrum, customer needs should be evaluated and segmented in terms of quality and quantity of work required

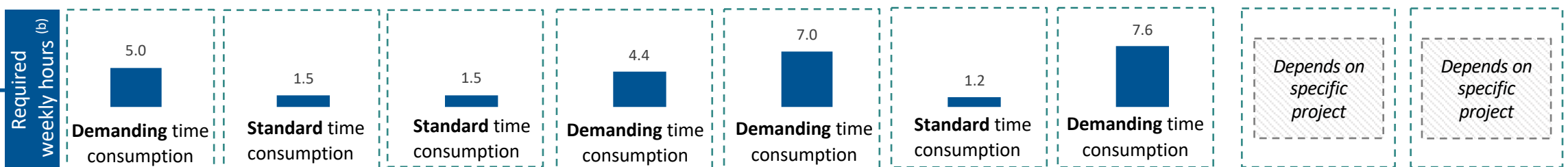


Key indicators of the quality of work



Key indicator when CerPlant is evaluating the needs and satisfaction of each client → which currently is not evaluated

Key indicators of the quantity of work

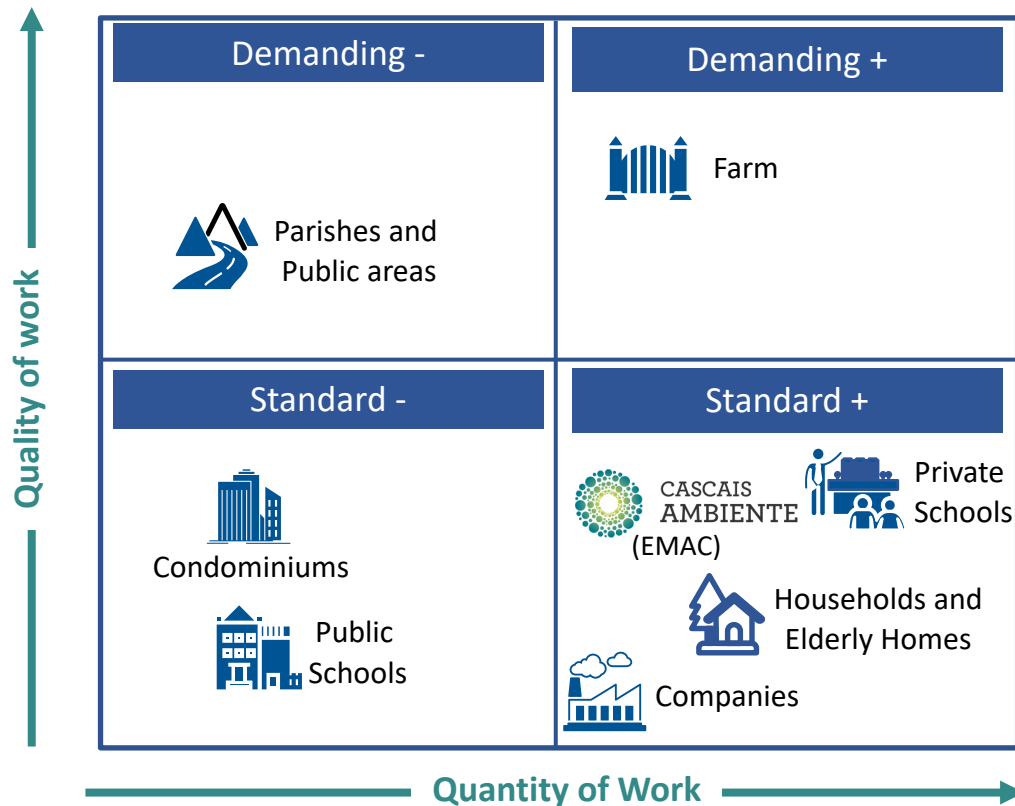


Key indicator when CerPlant is estimating the amount charged to each client → which currently is misaligned with team's capabilities (→ next slides analysis)

(a) Clients from plants production are not relevant to be analyzed in terms of quality and quantity of work required

(b) All information regarding clients was provided by Cericca

Clients | The needs of each client should be segmented to deliver a more appropriate service and better estimate of labor costs



Criteria to evaluate clients' requirements

Quality of work – clients can be considered more or less demanding, depending on the complexity of the underlying tasks

Quantity of work – clients can be considered more or less demanding, depending on the required time consumption per week

Implications of being a demanding client

Freedom on teams composition – depending on the degree of work complexity, HR teams should be composed of more or less skilled employees

Alignment between required and delivered working hours – productivity limitations should be considered on real working hours

Identifying clients' main features and their implied work requirements is a key procedure to deliver a more suitable service and better estimate labor costs based on the required working hours

Teams | Current HR teams' composition does not take into account differences in productivity among employees

Service	Client/ Service	HR Teams	HR Productivity	Overall Productivity
<p>Plants Production</p>	Ornamental plants production	Team 1 5 elements; 4 with disabilities	● ◐ ◐ ◐ ◐	2.5 / 5
	Aromatic plants and agri-food production	Team 2 3 elements; 3 with disabilities	◐ ◐ ◐	1.25 / 3
<p>Green Spaces Maintenance</p>	Private clients: households and condominiums, elderly homes, farm, private school	Team 1 4 elements; 3 with disabilities	● ◐ ◐ ◐	2.5 / 4
	Public clients: public areas (CMC and parishes), public schools and companies	Team 2 5 elements; 3 with disabilities	● ● ◐ ◐ ◐	4.0 / 5
	Private clients: households and companies	Team 3 5 elements; 1 with disabilities	● ● ● ● ◐	4.5 / 5
		Team 4 2 elements; 0 with disabilities	● ●	2 / 2
<p>Green Spaces Construction</p>	Both private and public projects Also work on green spaces maintenance located in Lisbon and new clients (2x per week) - maintenance teams are full	Team 1 and Team 2 9 elements; 5 with disabilities Flexible allocation depending on ongoing projects	● ● ● ● ● ◐ ◐ ◐ ◐ ◐	5.75 / 9

Productivity score system →



Non-disabled employees = 1



Disabled employees w/ high productivity = 0.75



Disabled employees w/ medium productivity = 0.5



Disabled employees w/ low productivity = 0.25

*Only includes operational teams. Information regarding productivity of each element was given by Cercica. The score system is illustrative and adjustable.

Clients vs. Teams | Mismatch between required and delivered working hours when adjusted to the real productivity of the teams

We have tested a new framework on some current clients to check productivity issues. Hourly productivity is given by previous score system

$$\# \text{ of elements} \times \text{weekly visits} \times \# \text{ of hours per visit} = \text{weekly delivered hours} \times \text{team hourly productivity} = \text{adjusted weekly delivered hours}$$

Need		Response				Productivity adjustment		
Type of Client	Weekly required hours	# of elements	Weekly visits	# hours per visit	Weekly delivered hours	HR Team	Overall hourly productivity	Adjusted weekly delivered hours
CMC	5.0h	3	0.6	3.2h	5.0h	Team 2	4 / 5	4.0h
Parishes	1.5h	4	1.0	0.4h	1.5h	Team 3	4.5 / 5	1.3h
Public Schools	1.5h	2	0.4	1.8h	1.5h	Team 2	4 / 5	1.2h
Households	1.2h	2	0.3	1.8h	1.2h	Team 4	2 / 2	1.2h
Companies	3.1h	3	0.7	1.7h	3.1h	Team 3	4.5 / 5	2.8h
Priv. Schools	3.8h	3	0.9	1.7h	3.8h	Team 1	2.5 / 4	2.4h
Condomin.	1.2h	2	0.6	1.1h	1.2h	Team 1	2.5 / 4	0.8h
Farm	7.6h	3	1.1	2.3h	7.6h	Team 1	2.5 / 4	4.7h

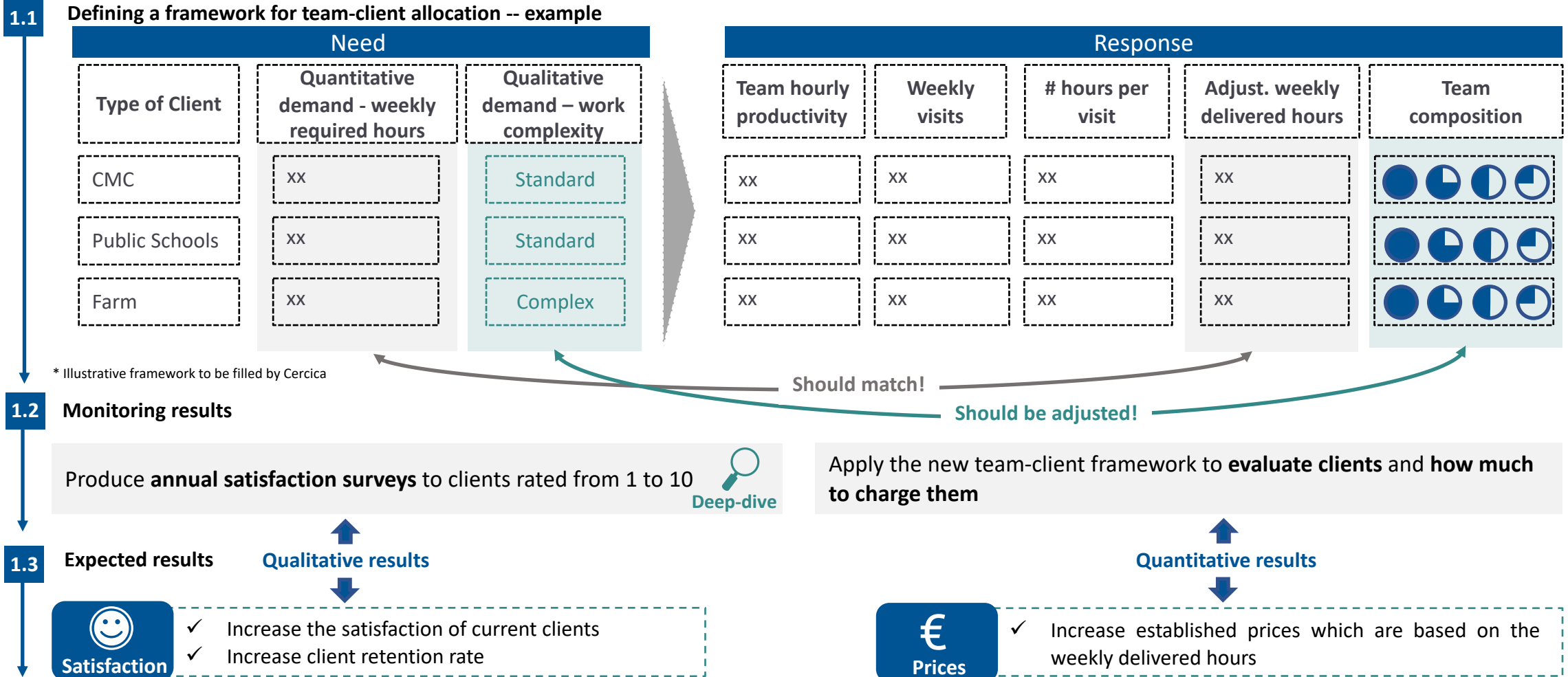
*All information regarding weekly working hours was provided by Cercica
 *Numbers presented are an average for each type of client
 *Figures may not sum up to total due to rounding

1 Adjust current productivity with a new framework

Productivity adjustment is illustrative and adjustable

The new team-client allocation framework is expected to increase the satisfaction of current clients and to adjust prices to real productivity

The idea would be to consider productivity limitations in a structured framework to better incorporate clients' qualitative and quantitative needs

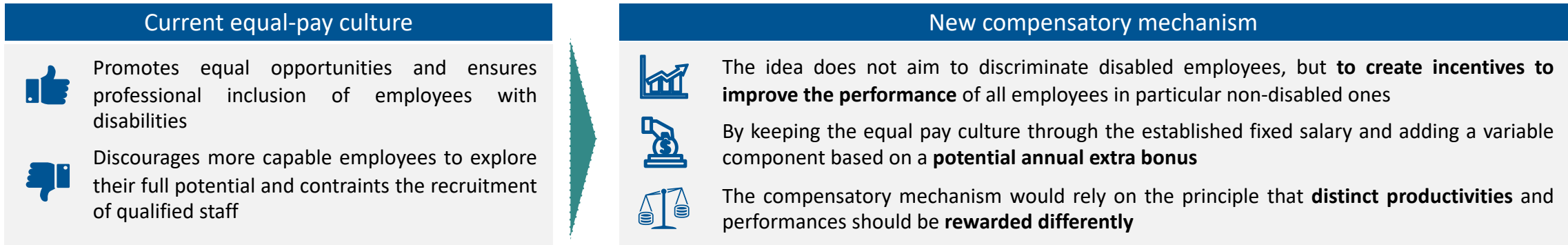


Proposed survey | The suggested annual satisfaction survey to clients comprises different sections and relative weights

The survey would be divided into 4 main sections and a relative weight would be attributed to each one. All questions should be rated from 1 to 10.

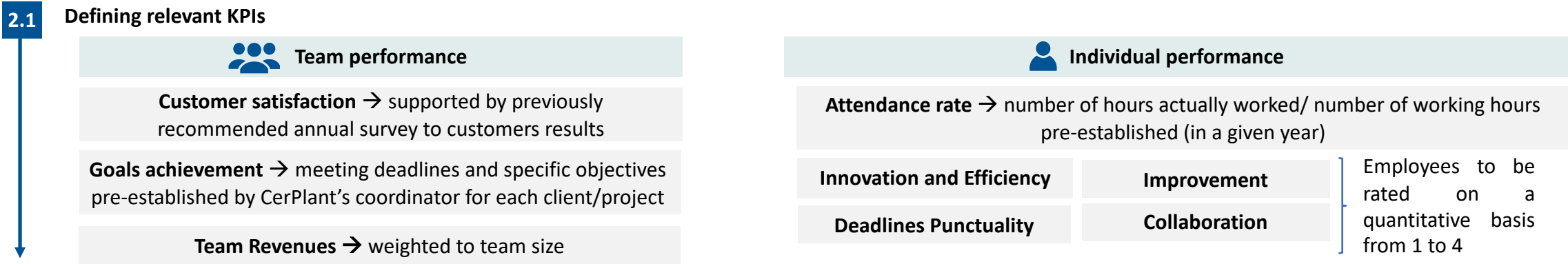
20%	<p>A- General Satisfaction</p>	<p>A1 – Overall, are you satisfied with CerPlant’s services? A2 – How likely are you to recommend CerPlant to a friend/colleague?</p>	<p>Please rate each question from 1 to 10.</p> <ul style="list-style-type: none"> <input type="checkbox"/> 1- highly dissatisfied <input type="checkbox"/> 10- highly satisfied 	<p>Weighted average score: 20% * Section A score</p>
30%	<p>B- Punctuality</p>	<p>B1 – How well does our team meet with work deadlines? B2 – Please rate the time-efficiency of our team.</p>	<p>Please rate each question from 1 to 10.</p> <ul style="list-style-type: none"> <input type="checkbox"/> 1- highly dissatisfied <input type="checkbox"/> 10- highly satisfied 	<p>Weighted average score: 30% * Section B score</p>
30%	<p>C- Quality of the Service</p>	<p>C1 – How well do our services meet your needs? C2 – Please rate the quality of our services.</p>	<p>Please rate each question from 1 to 10.</p> <ul style="list-style-type: none"> <input type="checkbox"/> 1- highly dissatisfied <input type="checkbox"/> 10- highly satisfied 	<p>Weighted average score: 30% * Section C score</p>
20%	<p>D- Improvement</p>	<p>D1 – Internal rating – Evaluate previous surveys’ results to understand whether client’s satisfaction is increasing or decreasing</p>	<p>Please rate each question from 1 to 10.</p> <ul style="list-style-type: none"> <input type="checkbox"/> 1- highly dissatisfied <input type="checkbox"/> 10- highly satisfied 	<p>Weighted average score: 20% * Section D score</p>

It is also suggested a new compensatory mechanism by adding a variable component to the equal-fixed salary



2 Encourage productivity

How to apply the compensatory mechanism - Maximize results using performance indicators (KPIs)



The new financial compensatory mechanism is expected to incentivize and motivate employees and consequently improve operations' results

2.2 Assessing & Rewarding defined KPIs



Annual team bonus based on team KPIs

- Assign rates to each KPI and produce a single average performance score. **The employee should receive the bonus if scored above 3.**
- The bonus include a financial reward as a percentage of CerPlant's results - 1% of the operational profit - and a **team building event** - lunch hosted by CerPlant



Annual individual bonus based on individual KPIs

- Assign weights to the rated KPIs to reflect their relative importance, totalling 100%. The objective is to seek the measure that promises greatest results.
- Thus, the index produces a single weighted average performance score. **The employee should receive the bonus if scored above 3.5.**
- The promised bonus is an **extra day on the holiday calendar.**

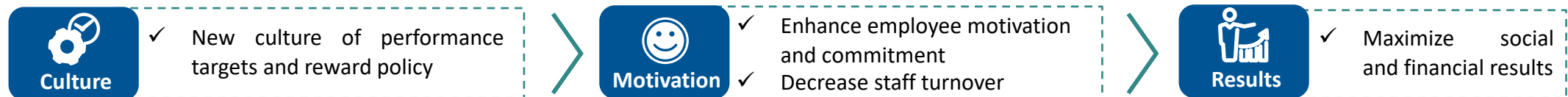
2.2.1 Assessing & Rewarding defined KPIs -- example

KPI	Metric	Rating (1-4)	Overall Score
Customer satisfaction	Survey result > 7	4	3.5 If > 3 → eligible for bonus If < 3 → not eligible for bonus
Specific Objectives	✓	4	
Meeting Deadlines	Overtime hours/Total hours	3	
Clients' revenues	Client revenues/ # of team elements	3	

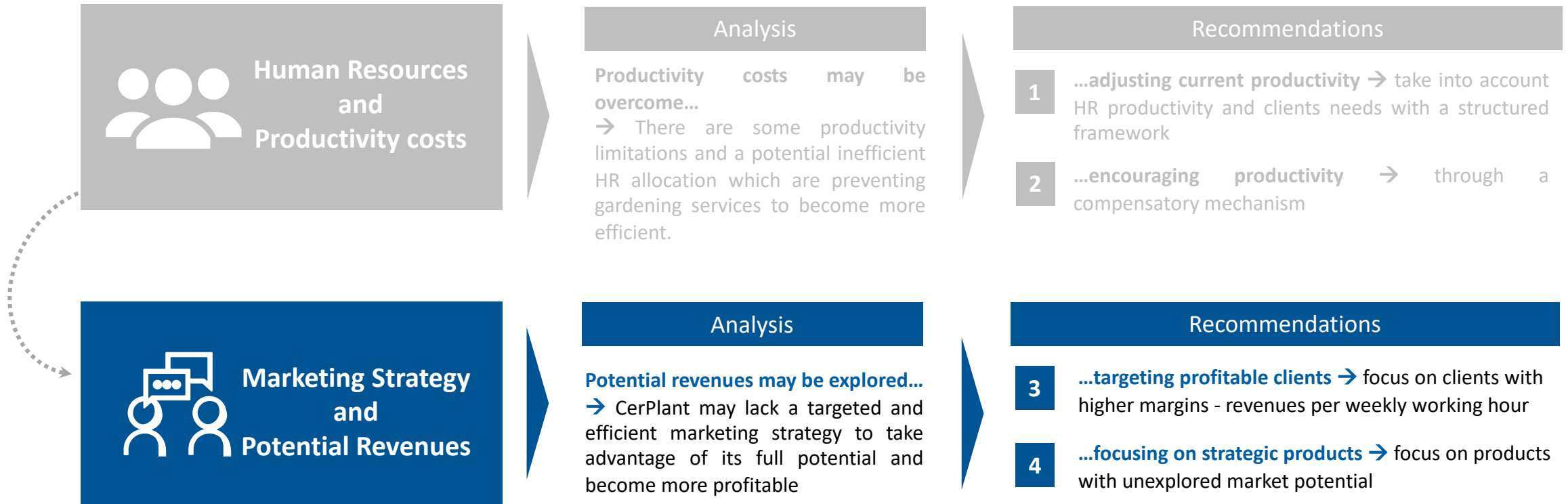
Weight	KPI	Rating (1-4)	Weighted Overall score
35%	Attendance rate > 0.9	4	3.25 If > 3.5 → eligible for bonus If < 3.5 → not eligible for bonus
25%	Punctuality	1	
20%	Efficiency	4	
10%	Collaboration	4	
10%	Improvement	4	

*Poor punctuality in meeting deadlines is sufficient to not be eligible, as an attempt to reward productivity

2.3 Expected results



Our analysis will focus on the underlying issues associated with the 2 components of the strategy



Revenues per working hour differ among clients and CerPlant should target the most profitable ones to maximize its profits

Since costs associated to each type of client are not available, revenues per working hour were used to scrutinize clients' profitability

Maintenance	Type of Client	CMC	Farm	Priv. Schools	Condominiums	Public Schools	Households	Companies	Parishes
	Current weekly hours	5h	7.6h	3.8h	1.2h	1.5h	1.2h	3.1h	1.5h
	Month. Revenues per working hour ^(a)	€ 285	€ 141	€ 108	€ 86	€ 82	€ 59	€ 54	€ 49

3.1 Identifying clients' profitability

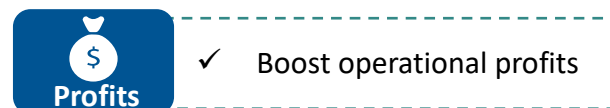
3 Target profitable clients



3.2 Targeting on most profitable ones



3.3 Expected results



^(a) Average monthly revenues per weekly working hour for each type of client

The current product-offer is divided into 3 main areas which are associated with distinct market characteristics ...

	Product potential	Target Market	Main clients	Competition	Distribution & Advertising	
Plants Production	 Ornamental Plants	<ul style="list-style-type: none"> High expertise and production scale Considerable added value 	<ul style="list-style-type: none"> Big public clients such as Municipalities and Parishes Corporate clients 	<ul style="list-style-type: none"> Cascais Municipality (fixed contract) CerGarden store 	<ul style="list-style-type: none"> Private clients with simpler organizational structures and more competitive prices 	<ul style="list-style-type: none"> Local orders and CerGarden store' sales Word of mouth and Cercica's website
	 Organic Aromatic Plants	<ul style="list-style-type: none"> Relatively low competition Market attractiveness 	<ul style="list-style-type: none"> Local stores Corporate partners namely restaurants Social partners 	<ul style="list-style-type: none"> Cascais Municipality CerGarden store Cercica's employees 	<ul style="list-style-type: none"> Expanding market with potential new players coming in 	<ul style="list-style-type: none"> CerGarden store Word of mouth and Cercica's website
	 Organic Agri-food Products	<ul style="list-style-type: none"> Limited added value Competition barriers 	<ul style="list-style-type: none"> Self-consumption Social partners 	<ul style="list-style-type: none"> Social partnerships CerGarden store Cercica employees 	<ul style="list-style-type: none"> Specialized companies with high economies of scale and large-scale production 	<ul style="list-style-type: none"> CerGarden store

4 Focus on strategic products

* Information obtained from CerPlant documents and interviews with the coordinator

... and based on a market research the most important characteristics for the go-to-market strategy are highlighted

4.1 Identifying market potential



Ornamental Plants

- Ornamental plants are CerPlant's core production, benefiting from a **high level of expertise** and **production capacity**
- 2 distinct types of **potential products**:

➤ Annual plants

- Lifetime** lower than a year
 - Short production cycles**
 - Renovation need**
 - Moderated added value**
- } Higher quantity sold

➤ Long-term plants ("perenes"):

- Lifetime** greater than a year
 - Longer production cycles**
 - Higher added value**
- } Higher prices



Organic Aromatic Plants

- Worldwide and national **market trend** towards **more sustainable and healthy** responses over the past decade:

Consumers are becoming **more aware of environmental issues**

Consumer trends are shifting toward wellness and **healthy lifestyle**

Consumers' are **paying higher prices** for organic products

Healthy restaurants and shops are **growing** to fulfill this new consumer trend



Organic Agri-food Products

- Food supply chains have **shifted from local and fragmented** chains to **wholesale markets with specialized and complex logistics**:

Small scale and **high market competition**

Low added value

Lack of distribution channels to ensure products are sold in short time span

- However, there is an opportunity to commercialize some agricultural products **for specific niches**

Consumers' preference for organic and local products

Source: IMR – Marketing Research Institute; Visão: *Os negócios da comida saudável*; JN: *O novo consumidor e a fragmentação do mercado*

Distinct marketing strategies are proposed based on each product type idiosyncrasies in order to take advantage of each ones full potential

4.2

Setting a marketing strategy



Ornamental Plants

Take advantage of high expertise and production capacity:

- **Focus on clients with significant dimension** which buy large amounts of annual plants
- Expand portfolio of clients with **significant purchasing power** for long-term plants



Organic Aromatic Plants

Take advantage of positive market trend:

- **Focus on commercializing and scaling aromatic plants**, rather than internal consumption and individual sales
- **Create solid partnerships** with corporate clients, in particular restaurants with healthy concept



Organic Agri-food Products

Given competition barriers and the low added value:

- **Keep self-consumption** practices and incentivize Cercica's employees to buy agri-food products in CerGarden store
- Focus on **commercialization** of 2 or 3 **specific agri-food products** and create partnerships

4.3

Modus operandi

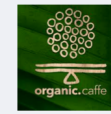
- Potential clients with significant size for annual plants:



Parishes comprising Lisboa Municipality

- Potential clients with significant purchasing power for long-term plants: **companies** and **private farms**

- Potential partnerships with healthy **restaurants and bio markets:**



- Potential social partnerships for Christmas baskets or other events:

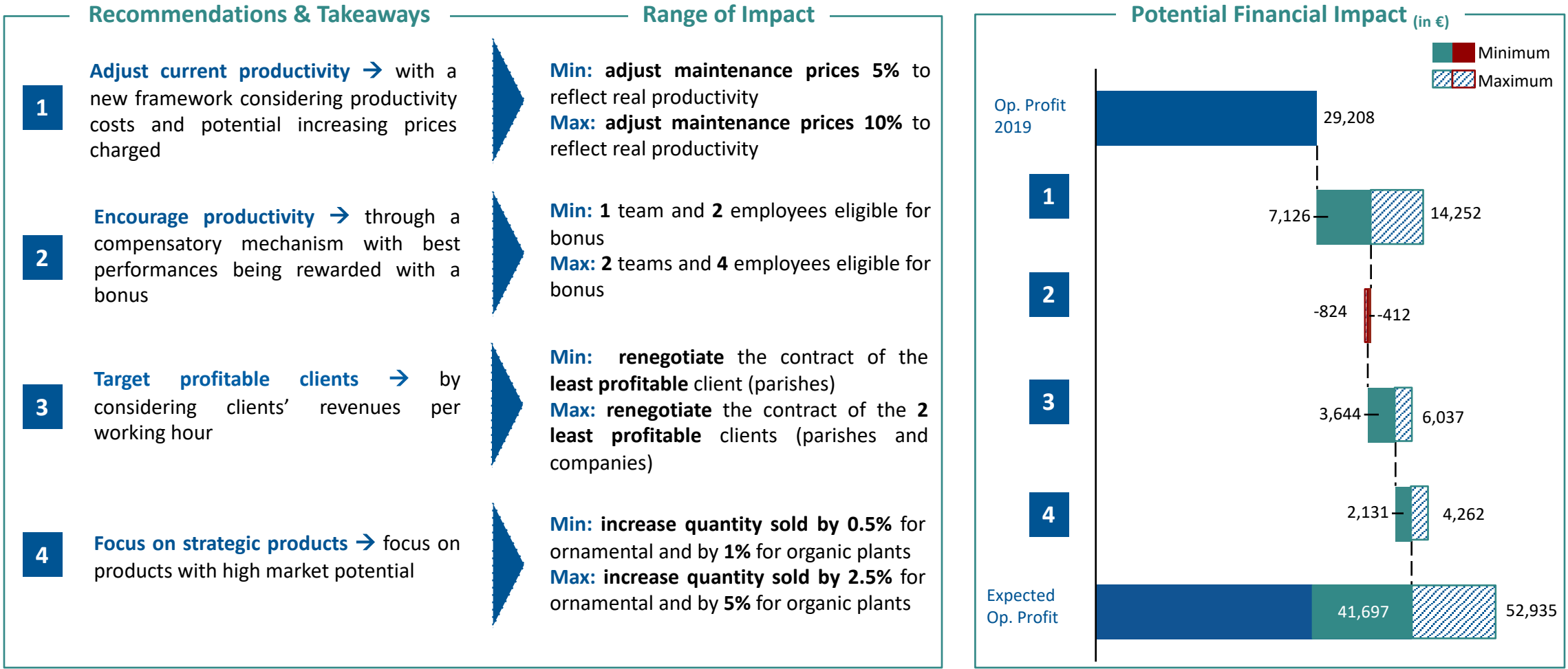


- Potential partnerships with local grocery stores and bio markets:



CerPlant is expected to increase its operational profit from €29K to €53K in a best case scenario, if all recommendations were successfully implemented

Operational margin will rise to 5.2% or 6.5% depending on the scenario, compared with 3.7% in 2019



Appendix slide 28 and 29

4

What initiatives can CerPlant implement to become more competitive?

4.1

Overview

> Gardening activities are divided into **3 main areas**: 1) plant **production**, 2) **maintenance** and 3) **construction** of green spaces which serve a **wide range of clients** - both public and private. There are **2 companies operating** in gardening activities: **CerPlant** (part of Cercica's portfolio) and **CerJardins** (independent entity under Cercica's domain)

4.2

Diagnosis

> The scope of the diagnosis **covers both CerPlant and CerJardins financials** which combined delivered a positive operational profit in 2019. **Green spaces maintenance** is the most important service and **CMC** the most important client **in terms of revenues**

> CerPlant's strategy comprises two components: 1) **social component**, fulfilling the purpose of professional inclusion for disabled people 2) **entrepreneurial component**, aiming to achieve profitable results to support Cercica financially

4.3

Human Resources and Productivity Costs

> There are 2 main issues linked to HR cost structure: 1) almost 50% of **labor force is associated to lower productivity** ratios and these limitations are not structurally taken into account 2) there are **low incentives** to productivity since all gardeners are **paid exactly the same**

> We propose 2 possible solutions to minimize productivity costs: 1) **structured framework where productivity is taken into account** and influences team-client allocation, 2) **compensatory mechanism** where higher productivities are **rewarded with bonuses**

4.4

Marketing and Potential Revenues

> CerPlant has **untapped potential** due to a lack of focus on profitable strategies: 1) there are large discrepancies among clients' profitability 2) lack of a strategic plant production

> There are 2 possible strategies that would help CerPlant to increase its revenues: 1) **segment clients in terms of profitability** and target profitable ones 2) **focus on the marketing of products with higher potential**

4.5

Financial Impact

> If recommendations are successfully implemented, CerPlant is expected to increase its 2019 operational profit from €29,208 to **€52,935 in a best case scenario**. In a more conservative scenario, CerPlant would face an increase of €12,489. **Operational margin will rise** to 5.2% or 6.5% depending on the scenario, compared with 3.7% in 2019



APPENDIX



Why do we have 2 entities

- CerPlant was initially created in 2001 as a **mechanism of professional inclusion**, and nowadays it also aims to serve as **financial support to the whole institution**
- CerJardins was created in 2012 to allow Cercica to participate in **construction activities requiring a permit**:
 - Some construction activities **can only be undertaken if the contractor holds a permit** (*alvará de construção*)
 - **CerPlant does not hold that license** given its main social activity related to the educational inclusion of disabled people

Pros and cons of holding 2 entities providing the same services



- Allows Cercica's **participation in construction activities** requiring a permit



- As a private entity, CerJardins **simplify some administrative processes** associated with Public tenders
 - It also provides a **higher flexibility** to manage **contracts with the suppliers** and to **hire new employees**



- **Poor transparency and visibility** of gardening operations as a whole, making results analysis harder



Allocation of services and personnel between the 2 entities

- There is no pre-established criteria in revenues/costs allocation between Cerplant and Cerjardins
 - Clients **contracts may be undertaken by one or another** for no particular reason . The only requirement is **Cerjardins to undertake all construction interventions demanding a permit**
- **Revenues/costs** are **directly registered in the respective entity** where it was generated/incurred



OR



- The whole **production of plants** activity is provided by CerPlant. **Maintenance and construction** services can be provided by both CerPlant or CerJardins
 - **CerPlant** currently comprises the maintenance contract with the **most important client** - Cascais Municipality
 - **CerJardins** undertake all **construction services requiring a permit** and also few maintenance services
 - CerJardins purchase all raw materials from CerPlant at cost price
- **CerPlant** comprises the majority of personnel **work contracts**
 - All **disabled employees** whose contract imply subsidies to cover personnel costs are **employed by CerPlant**



1 Team-client Framework

- A more tailored team-client service requires **higher flexibility** on teams' allocation and composition for each type of client
 - **Location constraints** – some teams are currently allocated based on clients' location to minimize transportation costs
- **Framework assumes that CerPlant does not take into account any productivity limitation** and the productivity adjustment considers that all employees, with or without disabilities, currently have an hourly productivity equal to one
 - CerPlant **already considers part of productivity limitations** when evaluating clients/services. However, these considerations are not supported by any structured and consistent framework
 - However, the score system of teams' **hourly productivity is merely illustrative and can be adjusted** by Cercica
- Negative effect on clients of **price increases** is expected to be **offset by** the positive effect of **customer experience and service improvement**

2 Compensatory Mechanism

- **When the operational profit is negative**, team bonus including 1% of the profit is cancelled out
- Overall, the compensatory mechanism is not expensive and it is easy to implement

3 Target Profitable Clients

- The most profitable clients – CMC, Private Farm, and Private School – are specific **customers difficult to replicate**
- However, renegotiate old contracts below market price is relatively simple to implement

4 Focus on strategic products

- The strategic focus on some plants' production may imply an **increase in production capacity** - land or capital, since labor is sufficient due to the participation of some beneficiaries from social business units

1

Recommendation 1 Adjust current productivity					
Client type	Required working hours	Real working hours (adj. productivity)	Average monthly revenues per hour	Monthly revenues from price increase	Total annual revenues increase
Condominiums	1.2	0.8	€ 85.9	€ 38.8	€ 9,316.9
Companies	3.1	2.8	€ 53.6	€ 16.7	€ 2,006.0
Private Schools	3.8	2.4	€ 107.7	€ 155.3	€ 9,317.2
Public Schools	1.5	1.2	€ 81.9	€ 25.2	€ 12,084.9
Cascais Municipality	5.0	4.0	€ 285.0	€ 283.9	€ 27,251.5
Parishes	1.5	1.3	€ 49.2	€ 7.3	€ 1,655.8
Elderly Homes	3.2	3.2	€ 70.3	€ 0.0	€ 0.0
Farm	7.6	4.7	€ 140.9	€ 401.1	€ 9,627.3
Households	1.2	1.2	€ 59.5	€ 0.0	€ 0.0

	Adjustment for non-charged revenues	Incremental Profit
Minimum	10%	€ 7,126
Maximum	20%	€ 14,252

Adjusted prices based on teams more catered to client needs and improved team productivity, resulting in a reduced gap between required and real working hours – 10% or 20% assumed

2

Recommendation 2 Compensatory Mechanism			
Individual Bonus Cost		Team Bonus Cost	
Av. monthly salary	€ 659.3	Team av. # elements	4.0
# monthly days	22.0	Cost per team element	€ 15.0
Extra holiday	€ 30.0	Lunch	€ 60.0
		Op. Profit	€ 29,207.6
		1% Op. Profit	€ 292.1

	Individual Bonus	Team Bonus	Total Bonus
Minimum	(€ 60)	(€ 352)	(€ 412)
Maximum	(€ 120)	(€ 704)	(€ 824)

Estimated cost for individual bonus – extra holiday – and team bonus – lunch hosted by Cercica and 1% of CerPlant’s operational profit



Projection | Detailed expected financial impact of marketing recommendations

3

Recommendation 3 | Target Profitable Clients

Least profitable clients	Current average revenue per hour	New average revenue per hour	Incremental revenue per hour	Weekly working hours	# of clients	Incremental annual revenues
Parishes public spaces	€ 49.2	€ 60.0	10.8	1.5	19	3,643.9
Companies	€ 53.6	€ 60.0	6.4	3.1	10	2,393.4

	Renegotiate contract of:	Incremental Profit
Minimum	least profitable client	€ 3,644
Maximum	2 least profitable clients	€ 6,037

Contracts related to the lowest profitable clients – Parishes and Companies - to be renegotiated to a higher revenues per working hour - €60 assumed

4

Recommendation 4 | Marketing strategy

Ornamental plants	Incremental Quantity sold	Average Price	Incremental Revenues	Incremental Profit
1% increase	946.5	€ 1.3	€ 1,269.2	€ 1,047.2
2% increase	1893.0	€ 1.3	€ 2,538.4	€ 2,094.4
Aromatic plants				
5% increase	389.1	€ 3.4	€ 1,313.7	€ 1,083.9
10% increase	778.2	€ 3.4	€ 2,627.5	€ 2,167.8

Incremental profit	Ornamental plants	Aromatic plants	Total
Minimum	€ 1,047	€ 1,084	€ 2,131
Maximum	€ 2,094	€ 2,168	€ 4,262

Both ornamental and aromatic plants are expected to increase its quantity sold – percentage increase assumed

Estimated Financial impact	Minimum	Maximum
Operational Profit 2019	€29,208	€29,208
Recommendation 1	€7,126	€14,252
Recommendation 2	€-412	€-824
Recommendation 3	€3,644	€6,037
Recommendation 4	€2,131	€4,262
Expected Operational Profit	€41,696	€52,935
Profit Increase	€12,489	€23,727