

Case Study : La Roue-Verte Gourmande Inc.

Business Transfer

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*Shaking Up
Business*



CPA

CHARTERED
PROFESSIONAL
ACCOUNTANTS

Company profile

La Roue-Verte Gourmande Inc. is a family-owned food truck business that has been serving quick, healthy meals for 50 years. Operating an eco-friendly fleet of electric trucks, the company is proudly based in Drummondville, where it has a strong reputation among customers. La Roue-Verte Gourmande is also a favourite at summer festivals and other events.

Dolores and Mario Greene, now in their seventies, are the proud owners of La Roue-Verte Gourmande, which they founded in 1973. Through the years, they've remained committed to promoting healthy eating and maintaining their stellar reputation by serving only balanced meals, such as salads and sandwiches, and nutritious snacks like fruits and vegetables. For them, connecting and catching up with customers is the most rewarding part of their job.

The business has been stable and in good financial health for many years, but climate change has brought new challenges, and adverse weather conditions in the summer of 2023 prompted the owners to reassess their options. Dolores and Mario, who have been thinking about retiring for several years, are slowly scaling back their involvement and hours while remaining the sole owners. Since La Roue-Verte Gourmande is part of the family, they're adamant about not selling the business to strangers.

Over the holidays, Dolores and Mario spent a great deal of time discussing the future of La Roue-Verte Gourmande with their three grandchildren, who are deeply attached to the family business and have many fond memories of it. During these conversations, the grandchildren playfully brainstormed ideas for the company's future. Delighted by the discussions, the grandparents decided to pass the business on to them, provided they could present a feasible plan.

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Mission, vision and values

The company's **mission** is to promote wellness by serving meals that are fresh, fast and nutritious. *"We're dedicated to serving food that feeds both body and mind, building community connections, and offering our customers exceptional service."*

The company's **values** align with its mission:

- **Good health:** The company is committed to preparing high-quality, nutritious meals that help its customers stay healthy.
- **Great customer service:** This is very important for the owners, since without its customers, the business wouldn't exist! Friendly, personalized service is essential to building customer loyalty.
- **Social and environmental responsibility:** The company has been minimizing its environmental impact through sustainable practices and supporting community initiatives since 1973.

The company's **vision** has always been to set the standard for healthy mobile food services in the area and be known both for delivering exceptional quality at competitive prices and for its innovation and dedication to creating a healthier society and planet.

Company operations

Human resources

La Roue-Verte Gourmande employs around ten people. There are five permanent employees: three cooks who prepare the food, and two cashiers for customer service. During the peak summer season, the business hires two additional part-time employees. Both owners still work, but they've reduced their hours to about 25 hours per week each.

Dolores primarily handles administrative tasks, accounting, and employee relations, while Mario oversees production, including sourcing fresh ingredients. Together, they work on business development and create new dishes, a passion they've shared for 50 years. They also work closely with Éric, a Chartered Professional Accountant (CPA) who has been their trusted advisor for 20 years. Éric specializes in working with small businesses and plays a crucial role in helping Dolores and Mario make strategic business decisions.

Finances

Dolores, who took a college course in accounting as a young adult, has always successfully managed the company's finances. She's responsible for bookkeeping, product pricing, filling out tax reports, etc. The business carries little debt, as most major investments were made a long time ago. Dolores and Mario have made small investments in the business over the years to keep it growing and meet demand.

Their last investment was in 2014, when they purchased all-electric trucks. Income statements from the last five years, included in the appendices, show that while the pandemic had a minor negative impact on the company, it was short-lived, since Quebecers were travelling more within the province.

However, the effects of climate change, particularly the summer temperatures of 2023, have taken their toll on the company. To ensure financial stability, the owners plan to allocate all their working capital to early-year purchases and orders. That means they'll need to take out a loan to avoid jeopardizing their next summer season.



The industry

In 2011, limited-service eating places, including fast food restaurants, food trucks, and similar establishments, made up 35% of Quebec’s commercial restaurant sales. By 2021, this figure had risen to 46%. According to MAPAQ:

“From 2020 to 2021, sales in all food services within the hotel, restaurant, and public and private institutional (HRI) sector grew by 22%, reaching an estimated value of \$15.5 billion in 2021. While sales benefited from the lifting of lockdowns and the resurgence of economic and tourism activities, they have not yet returned to 2019 levels—except for fast food establishments.”¹

The market

For the past 50 years, Dolores and Mario have followed a cyclical seasonal strategy that aligned with their snowbird lifestyle. Spending their winters in Florida, they focused on running the business during the busy summer season, capitalizing on the popularity of their healthy food trucks. However, this seasonal approach has its limitations, especially since the market is evolving rapidly. The competition in the mobile food sector has intensified, with new competitors offering a wide variety of dishes and flavours. Dining out has been more popular lately, allowing competitors to carve out market share.

To stay competitive, the future owners will need to diversify their revenue streams. Relying solely on the summer season will no longer be enough to ensure the long-term success of the business. Generating revenue year-round will be crucial, especially since the future owners are young and aren’t in a strong position financially. They will need to rethink the business strategy and find innovative solutions to succeed in this increasingly competitive and ever-changing market.

¹ Source: Statistics Canada, Monthly survey of food services and drinking places, table 21-10-0019-01; MAPAQ compilation. <https://www.mapaq.gouv.qc.ca/fr/md/statistiques/Pages/restauration.aspx>

Mandate

With all their ambitious ideas, the Greene grandchildren need to develop a realistic, clear, and concise strategic plan to present to Eric, the family's CPA. They want to grow the business and have several innovative ideas, but they need to prove that they will be profitable.

Although confident in their ideas, the grandchildren want to get Eric's approval for both their financial and strategic plans before presenting them to their grandparents.

Eric has put together a detailed list of what you'll need to prepare, below.

Your tasks

It's the 3rd of November, and Dolores and Mario are leaving for Florida on the 30th of December. Between now and then, you must:

- | |
|---|
| <p>I. Find an innovative solution for Winter (solve the seasonal business problem)</p> <ul style="list-style-type: none">i. Create a strategic plan (quantitative and qualitative) |
| <p>II. Present a financial plan for the new winter project</p> <ul style="list-style-type: none">i. Rough estimate of cash requirementsii. Grants and external financing |
| <p>III. Set achievable targets (key performance indicators)</p> <ul style="list-style-type: none">i. Eric asks you to prepare a draft for the KPIs, and he'll help you with the final calculations |
| <p>IV. Produce a SWOT analysis</p> <ul style="list-style-type: none">i. Analyze the company's strengths, weaknesses, opportunities and threatsii. Identify the actions needed to reinforce the company's strengths and take advantage of opportunitiesiii. Identify the actions needed to reduce, eliminate, control or transfer the risks and threats |

Appendix 1

Income statements

Years ended October 31	2023	2022	2021	2020	2019
Sales					
Products – Events	\$769,254	\$899,582	\$878,006	\$838,965	\$889,157
Products – Other	17,875	19,899	18,450	17,896	19,485
	787,129	919,481	896,456	856,861	908,642
Business costs					
Purchases – Food and beverages	461,552	539,749	526,804	511,379	533,494
Salaries (Note 1)	272,870	276,669	277,546	270,713	274,049
Selling, general, and administrative expenses	15,189	15,010	14,893	14,288	13,985
	749,611	831,428	819,243	796,380	821,528
Revenue before income tax	\$37,518	\$88,053	\$77,213	\$60,481	\$87,114
Current income tax	5,628	13,208	11,582	9,075	13,067
Net profit	\$31,890	\$74,845	\$65,631	\$51,406	\$74,047

Appendix 11

Balance sheets

Years ended October 31	2023	2022	2021	2020	2019
Assets					
Current assets					
Cash and cash equivalents	\$24,818	\$50,804	\$14,682	\$26,142	\$52,183
Inventory	36,157	19,581	38,624	49,420	27,769
	60,975	70,385	53,306	75,562	79,952
Long-term assets					
Investments	55,000	55,000	55,000	55,000	55,000
Property and equipment (trucks)	480,700	497,810	514,920	532,030	549,140
Total assets	\$596,675	\$623,195	\$623,226	\$662,592	\$684,092
Liabilities					
Current liabilities					
Accounts payable	\$102,216	\$75,162	\$87,147	\$75,162	\$103,689
Salaries payable	14,956	18,840	19,357	24,849	21,236
Income tax payable	5,628	13,208	11,582	9,072	13,067
Current portion of long-term debt	14,000	14,000	14,000	14,000	14,000
	136,800	121,210	132,086	123,083	151,992
Long-term liabilities					
Long-term debt	276,000	290,000	304,000	318,000	332,000
Total liabilities	\$412,800	\$411,210	\$436,086	\$441,083	\$483,992
Shareholder equity					
Share capital	100	100	100	100	100
Retained earnings	183,775	211,885	187,040	221,409	200,000
Total shareholder equity	183,875	211,985	187,140	221,509	200,100
Total liabilities and shareholder equity	\$596,675	\$623,195	\$623,226	\$662,592	\$684,092

Appendix III

Other

Salaries (Note 1)	2023	2022	2021	2020	2019
Permanent employees	69,717	69,118	69,287	63,562	62,677
Temporary and part-time employees	3,153	7,551	8,259	7,151	11,372
Owner - Dolores	100,000	100,000	100,000	100,000	100,000
Owner - Mario	100,000	100,000	100,000	100,000	100,000
	\$272,870	\$276,669	\$277,546	\$270,713	\$274,049

In addition to salaries, the owners received the following dividends:

Owner - Dolores	30,000	25,000	50,000	15,000	30,000
Owner - Mario	30,000	25,000	50,000	15,000	30,000
	\$60,000	\$50,000	\$100,000	\$30,000	\$60,000

Notes