



Fjord-Land Fisheries Inc.

Investment Thesis and Strategic Overview

Executive Summary

Fjord-Land Fisheries will consolidate and expand the aquaculture and seafood industry within the Northeastern United States. In doing so we will provide sustainable, ethical and delectable seafood to our customers.

We will accomplish this by vertically integrating the industry, allowing for stabilized costs throughout our holdings; selecting and implementing industry best practices from a consumer and ecological standpoint; maintaining a quality product, which we will market and bring to our customers at a competitive price.

Mission Statement:

"Within six years time every third household from Maine to Virginia will enjoy healthy and sustainable seafood from Fjord-Land Fisheries Inc."

~ Samuel Park, Founder

Vision:

We shall operate within the seafood space by forming a decentralized organization that focuses on developing small units and leaders. For this to work we must equip our people with the skills and tools required to make effective and moral decisions independently. In this way we shall have the advantage of being able to seize a majority market share while retaining speed, cohesion and adaptability. Such an organization can only be held together through shared organizational values and experiences. Fjord-Land Fisheries Inc. shall maintain a sales minded culture and shall value innovation, even in the event of failure.

"I don't f-cking care if you are a janitor, if you bring in a sale then you get commission."

~ Samuel Park, Founder

Organization:

Fjord-Land Fisheries

Fjord-Land Fisheries Inc. is the investment holding company which holds a majority equity stake in acquired companies through an acquisition vehicle. Each acquired company will declare a dividend payable to the acquisition vehicle; the acquisition vehicle in turn will pay a dividend to Fjord-Land Fisheries after covering the debt service and paying any other expenses. Fjord-Land Fisheries Inc. is incorporated in the State of Delaware.

I.P. Holding Company

Additionally Fjord-Land Fisheries will have a majority stake in our I.P. holding company which will also declare a dividend payable to Fjord-Land Fisheries. The I.P. holding company will retain all intellectual property such as trademarks, copyrights and patents, collecting fees from their usage both from within and without the holdings. The I.P. holding company is yet to be incorporated, will most likely be a Delaware LLC.

Subsidiary Companies

Subsidiary companies shall include acquisition vehicle LLCs, acquired target companies and "budded companies" formed by splitting acquired targets into new companies. Acquisition vehicle LLCs shall hold one acquired target company, these LLCs will most likely be formed in the State of the intended target.

All other subsidiary companies shall be held with a singular purpose in mind; while they may have multifaceted operations they'll have a primary task and purpose. I.E. distribute, sell, farm seafood, process etc.

Methods:

Investment Outline;

Our first several acquisitions must be executed with extreme care and scrutiny, not only through a thorough due diligence but also by keeping an eye cast towards the future to determine our targets' place in it. In phase one what is most important is guaranteeing a stable cash flow, in this way we can continue to expand despite economic downturns, such as a second wave of Covid-19, collapsing markets or geopolitical insecurity. Once we have established a stable system our next objective in phase two and three is to expand and experiment; constant innovation and improvement are imperative.

Target Profile;

An ideal target will have the following features;

- Gross Profit margins of 20% or greater, 30% is typical for most of our potential targets
- Have been in business for at least five years
- Have three years financial statements and tax returns available
- The owner is motivated to sell and has a clear reason for doing so
- The business has sound economics and is in full compliance with the law

Sales Vehicles;

- Generates revenue year round and in economic downturns, can sell during a lockdown
- Is sufficiently positioned away from the coast to reduce the number of competitors
- Has a clear pathway of improvement or optimization

Farms;

- Product has an excellent taste and is of at least median quality
- Three methods of which product can be sold and the ability to quickly pivot between them
- Risks being assessed and appropriately addressed with mitigation plans and contingencies

Investing with a minority Stake;

- Have a written agreement to include expected distributions, royalty's, etc.
- Have collateral and defined terms of recourse for breached agreements
- Standard due diligence of the business
- Determine any possible method of increasing revenue
- Conduct a thorough interview and background check of the owner, determine if his philosophy and vision for the business is compatible with Fjord-Land Fisheries

Capital Stack;

The following factors are some of the options available for financing the purchase of a target company.

- Debt financing: Fjord-Land Fisheries will utilize SBA loans both V.A. and accelerated as well as conventional loans. Preferred terms shall be approximate to 6% or less interest, an 80% LTV and 250% DSCR with five to ten years before maturity with no balloon payments
- Cash: funds from Fjord-Land Fisheries both raised from the founder, investors and revenues
- Sellers finance: the seller taking a second or third position note in which they provide equity that they will later be repaid for with interest approximating 8%
- Outside investment: accredited investors may partner with us in an acquisition for a preferred rate of return (10%-15%) on their contribution

Acquisition Controls;

For each potential acquisition target we consider there shall be an Acquisition Assessment Document drawn up which shall include the following;

- Purpose of the acquisition
- Desired endstate
- Economic Outlook
- Valuation both asset based and cash flow
- Strengths, Weaknesses, Opportunities, and Threats, (S.W.O.T.) analysis
- Porters Five Forces summary
- Risk analysis
- Mitigation plans
- Supply chain assessment
- Q of E
- Compliance audit
- Key ratios

The purpose of doing this is to justify and deeply examine the proposed acquisition to limit any risks and explore possible opportunities.

Northeast Seafood Market Analysis

Effects of Covid-19:

The effects of Covid-19 on the seafood industry have been quite significant: approximately 30% of seafood within the U.S. was consumed in restaurants; this portion of seafood sales has virtually disappeared. However the amount of fresh and frozen seafood bought from stores and online has drastically increased. The exact numbers on this trend are still coming out, however anecdotes from seafood markets support this.

Seafood Markets:

Covid-19 Effects: Covid-19 has reportedly increased the volume of seafood purchased from stores both from seafood markets and from general retailers.

Competition: Few competitors, it's not a popular business to enter. The greatest source of competition is from large generalist retailers who are losing favor with consumers.

Potential for new entrants to the market: It's not likely there will be a drastic increase of seafood markets in the near future; it's an unpopular business and the licensing required is an effective deterrent

Power of Suppliers: The power of suppliers is partially dependent upon the location of the market: markets closer to the coast have more possible suppliers to choose from; coastal markets experience low power of suppliers. Each landlocked market should be assumed to have a different number of suppliers to choose from.

Power of Customers: The customers of these markets have considerable power as they can shop from larger retailers, unless they are purchasing bulk quantities.

Seafood Wholesalers:

Covid-19 Effects: A significant portion of the customer base that wholesalers have are restaurants; this portion has been effectively destroyed. It will take years to recover from the effects of this; in the short term this presents an opportunity for growth.

Competition: The competition within wholesaling has become extremely fierce, because Covid-19 has caused restaurants to close, reducing total market share.

Potential of new entrants into the market: Extremely unlikely as there are extensive regulatory barriers and start up costs, and the industry is not welcoming to newcomers; it's not a sought after business model.

Power of Suppliers: Low: seafood at wholesale is typically a global commodity market especially near coastal areas which results in frequent price wars.

Power of Customers: Area and quality of seafood depending, some inland areas are extremely underserved in this regard resulting in customers making due with what the market can offer. Coastal and more populous areas have more competitors crowding the marketplace resulting in more options for the customer.

Seafood Processors:

Covid-19 Effects: Some larger protein processing facilities including seafood have had to shut down or reduce staffing for safety reasons.

Competition: Coastal Areas: moderate, inland: low to non existent. To justify this business model a consistent and high volume of seafood is required.

Potential of new entrants into the market: Very low: there are regulatory barriers to entry, extremely high start up costs and the smells associated with the operations make it unpopular.

Power of Suppliers: Moderate -- a consistent volume of seafood is required so long term agreements with farms and fishing vessels are common, even where not necessary. This results in some extent of price stability.

Power of Customers: Coastal Areas: moderate, Inland: low to non existent. This is a direct result of the number of competitors which follows the geographic trend.

Shellfish Farms:

Covid-19 Effects: Due to the decrease of the vacation season and demand from restaurants, inventory for many farms has drastically increased, resulting in a glut in the market.

Competition: Very high: these farms are almost exclusively coastal in nature requiring similar conditions which places many farms within close proximity, making the ability to sell inland a major competitive advantage.

Potential of new entrants into the market: Moderate: Extensive regulatory barriers and municipality approval requirements create a barrier to entry. Nonetheless, this is an increasingly popular business.

Power of Suppliers: Low: the equipment used is relatively simple and commonly found in areas with extensive farms. The spat or seed for shellfish is not overly expensive; however, paying more for quality definitely pays off here.

Power of Customers: Varying on species but otherwise moderate: Customers will compete for higher quality shellfish for raw bars etc. However, cooked shellfish is more of a commodity.

Finfish Farms:

Covid-19 Effects: Many of the land based farms had long term agreements with local restaurants to achieve higher margins; with many restaurants being shut down, these farms are adapting or struggling. Offshore farms are subject to global seafood prices which at present are fluctuating wildly.

Competition: High for offshore operations, low for inland farms: there's heavy competition in coastal areas, particularly in Maine. The most commonly farmed species is Atlantic Salmon. The inland farms within the northeast have almost all made the decision to farm different species and are very dispersed, which means that they are only in competition when and where they intersect with the global marketplace.

Potential of new entrants into the market: The offshore farming method has a very low potential; the inland farming method has a moderate potential. Offshore farms face heavy regulatory barriers and confusing legislation. Inland operations are increasingly popular and are favorable for ecological reasons. Frequently it is difficult to get concrete information about regulatory requirements, which can lead to delayed or stalled proposals. This means the cost and time to start up and bringing the product to market is often quite high, a serious obstacle to start up.

Power of Suppliers: Low and decreasing; as aquaculture proliferates so does the marketplace for the fry equipment and finite supplies. Due to Covid-19, supply chains should be carefully mapped and alternate options selected.

Power of Customers: High or very low, with farming finfish species depending on whether the farm is either competing on a global commodity marketplace or farming a very unique species that cannot be easily accessed in that part of the world due either to overfishing or other ecological constraints.

Disclaimer;

Please note that nothing within this document constitutes an agreement with any party.

We are constantly adjusting our analysis and strategy, therefore Fjord-Land Fisheries Inc. reserves the right to alter our outlook, strategy, risk tolerance at any time and for any reason.

Requesting More Information;

Should anyone wish to request more information for the purposes of investing with us, lending, selling your business or partnering with Fjord-Land Fisheries Inc. please reach out to Samuel Park via email at spark6987@gmail.com.