

Clear Water Sea Foods Harvard Case Solution & Analysis



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Order of Presentation

- Background
- Situational Analysis
- SWOT Analysis
- Competitive Advantage
- Risks of the Business
- Financial and Operating Hedges
- Alternatives
- Recommendation
- References

BACKGROUND

CLEARWATER SEAFOODS

- Income Fund Company founded in 1976
- Went public in 2002 to finance a significant growth strategy
- Largest seafood company in North America
- Sales revenue in excess of Cdn\$300Million

Situational Analysis

Figure 1: Percentage revenues by currency for 2003 to 2005

Percentage of Sales by Currency				
	2003	2004	2005	Average
USD	58.6%	53.1%	46.3%	52.7%
CAD	16.6%	17.4%	19.7%	17.9%
EUR	9.7%	15.9%	19.0%	14.9%
JPY	9.4%	8.1%	8.3%	8.6%
GBP	5.1%	4.3%	5.1%	4.9%
Others	0.6%	1.2%	1.6%	1.1%
Major Currencies	82.9%	81.5%	78.7%	81.0%

Shift in strength of the CAD

Pre- 2004

- Depreciation of the CAD
- Clearwater received more CAD for every uni of foreign currency converted
- Higher net earnings and distributions to unit holders of the fund

Mid- 2004

- Appreciation of the CAD
- More revenues from export used to pay expenses

2004-2005

- Decline in net earnings of 39.7% and 43.7% respectively
- Suspension of monthly distribution to unit holders
- Reduction of market value of shares by 35%

