



Wilson Perumal  
& Company

 **OFFERING  
INTRODUCTION**



# **PRIVATE EQUITY SUPPORT**

## **OPERATIONAL DUE DILIGENCE**

# WP&C is a leading strategy consulting firm delivering value for Private Equity clients through operational due diligence

## HOW WE ADD VALUE

### Profitability Analysis

- 1 • Proprietary square-root costing (SRC) methodology
- Visibility to EBITDA by SKU, category, customer

### Portfolio Optimization

- 2 • Portfolio alignment & profitability assessment
- Options to cut, reprice, improve

### Ops Improvement

- 3 • E2E Ops assessment IDs issues and opportunities
- Roadmap for implementation & value capture

WP&C  
OPS DUE DILIGENCE  
+ VALUE-CAPTURE  
SUPPORT

Typical Results In  
~12 Months:

20-40%  
EBITDA LIFT

15-25%  
WORKING  
CAPITAL  
REDUCTION

## FOCUS AREAS COVERED IN E2E OPS ASSESSMENT



S&OP



PRODUCTION



OEE/ CAPACITY



SUPPLY CHAIN



SCALABILITY



OVERHEAD

## CLIENT IMPACT

*“WP&C’s insights into our portfolio, cost structure and growth drivers have changed the way we think about our business. The brand management playbooks they developed for the business will be critical to how we make decisions going forward.”*

— Hilliard Lombard, Managing Director, Valeo Foods Group

*“This was a quick and painless way to understand our true product profitability, and it challenges how we think about our business. I am extremely pleased with the results.”*

— Fernando Palacios, EVP and Chief Integrated Supply Chain Officer, MillerCoors

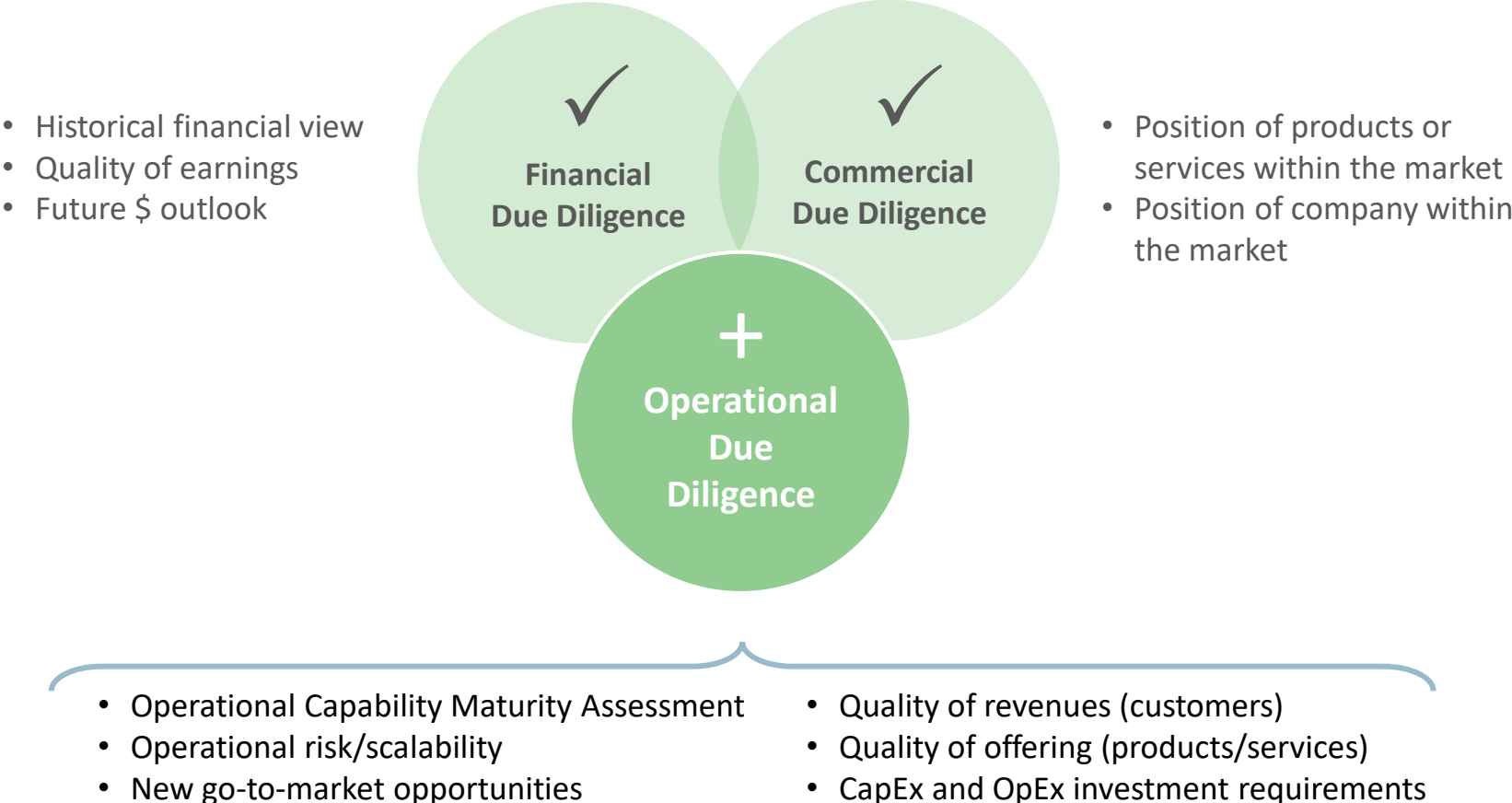
# Executive Summary

- **WP&C's approach to diligence includes unique analytics that unlock more aggressive value-creation plans and inform the deal valuation**
  - Our Square Root Costing methodology (SRC) builds a rapid view of true product and customer profitability and tees up opportunities on pricing, operational improvements, and EBITDA lift potential
  - In combination with our Operational Capability Maturity Assessment, we identify grounded hypotheses for rapid improvements and a target EBITDA improvement plan, which we then launch Day 1 post-close
- **Operational Due Diligence (ODD) adds welcome certainty to your deal thesis**
  - Commercial and Financial Diligence are necessary but insufficient areas of pre-deal investigation
  - With median holding periods falling, increasing the speed and magnitude of value capture is critical to achieve target valuations—an operations transformation plan adds an element of certainty by identifying tangible improvement levers not dependent on growth-based assumption
  - Our approach typically leads to 20-40% improvements in EBITDA and 15-25% reductions in working capital within 12 months
- **We add value through our analytics, and then by rapidly executing improvement actions**
  - In ODD, we identify practical opportunities across complexity reduction, operations improvements, and operating model simplification through the use of our proprietary Operational Capability Maturity Assessment and develop a target EBITDA plan to drive execution
  - Post-close, our team, with deep operations/execution experience, works with your portfolio company to a) immediately launch *Quick Win* improvements and b) capture the full EBITDA opportunity

**Insightful Due Diligence + Aggressive EBITDA Targets + Hands on Execution Support  
= 20-40% EBITDA improvement in 12 months**

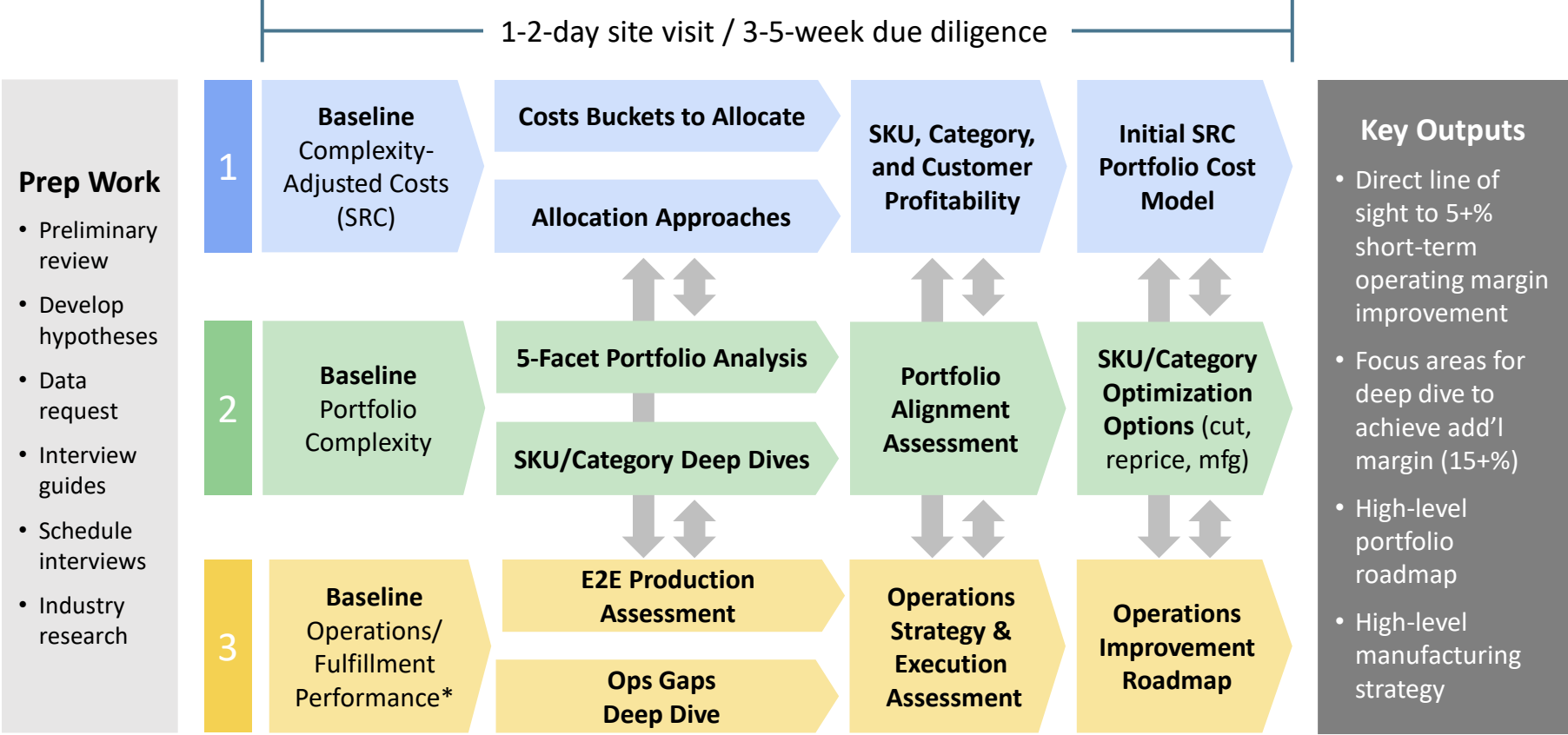
# Our Operational Due Diligence approach is additive to traditional diligence and ensures value capture

*We quickly identify risks and have a greater focus on the path to value creation*



**We better ensure, accelerate, and maximize downstream returns**

# Three coordinated workstreams form the basis of our ODD approach



This work can be completed onsite and/or remotely

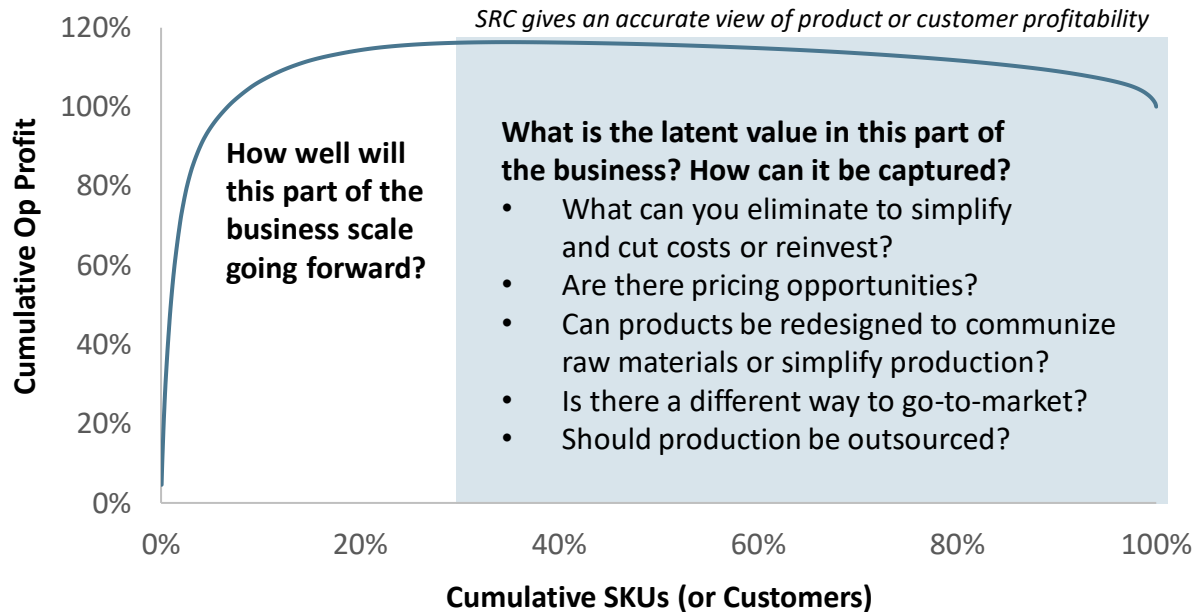
\*Operational Capability Maturity Assessment

# Complexity-adjusted Costs – Square Root Costing

Determine complexity cost drivers to understand true profitability



## Complexity-adjust SKU (or Customer) Profitability



**Square Root Costing (SRC) is WP&C’s proprietary methodology to account for cross-subsidization and correct for skewed views of profitability**

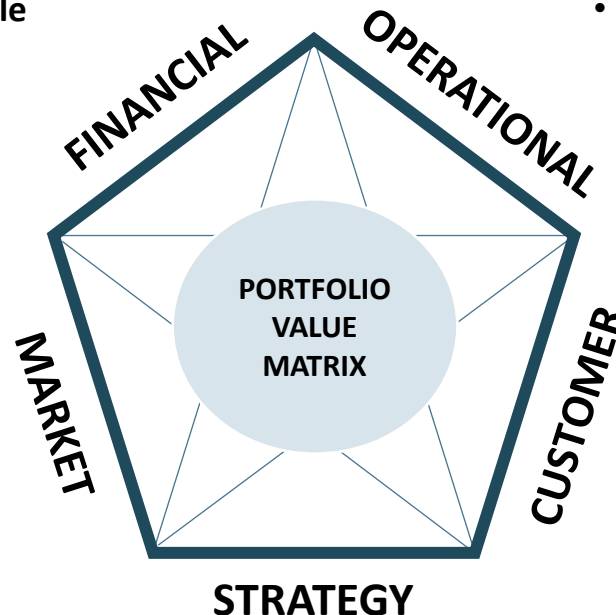
# Portfolio Complexity – 5-Facet Analysis

Unlock value in the portfolio by looking at the roles & contributions of all products



- Which products are **profitable** at the GP and OP levels?
- What is the **cost of complexity**?

- What are the **market and regulatory trends**?
- What is the **competitive landscape**?

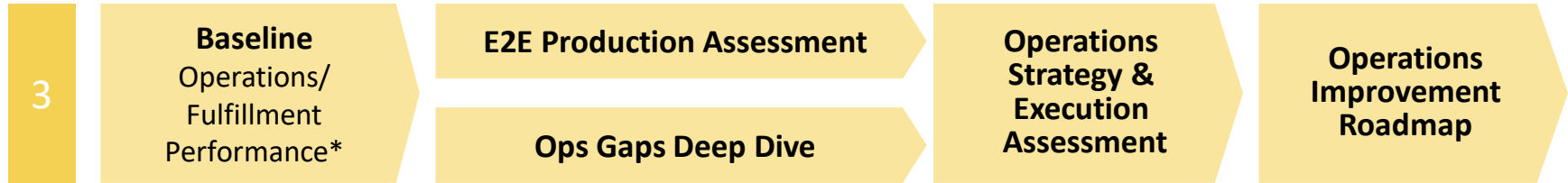


- Which products drive **operational complexity**?
  - How does each product affect the **supply chain**?
- How does the portfolio meet **customer needs**?
- Does **variety enhance or confuse** the customer?

- How does the portfolio leverage **competitive advantage**?
- How well does the **portfolio align with strategy**?

# Operations Performance – End-to-end Assessment

Identify and plan for biggest EBITDA improvement levers, including ‘quick wins’



## S&OP

### KEY TARGET AREAS

- Forecasting
- Demand Planning
- Supply Planning
- Labor Scheduling
- Plant Scheduling
- Inventory Management
- Line Balancing
- Process Flow
- Workflow
- Analytic Batch Sizing



## PRODUCTION

### KEY TARGET AREAS

- Labor – Regular/OT
- Efficiency
- Productivity
- Process
- Tools
- Lean Capabilities
- Management Systems
- ERP Systems
- Plant & Equipment
- R&D



## OEE/CAPACITY

### KEY TARGET AREAS

- Material Availability
- Cycle Time
- Measurement
- Labor Skills
- Labor Scheduling
- Downtime
- Maintenance
- Quality
- Set-ups
- Changeovers



## SUPPLY CHAIN

### KEY TARGET AREAS

- Warehousing
- Transportation
- Material Flow
- Cost
- Make v. Buy
- Labor
- Planning
- Vendor Strategy
- Vendor Constraints
- Vendor Performance



## SCALABILITY

### KEY TARGET AREAS

- Forecasting
- Capacity
- Ops Strategy
- Supply Chain
- Bench Strength
- Mgmt System
- Equipment
- Shift Structure
- Labor Force
- Production System
- Engineering
- Maintenance
- R&D



## OVERHEAD

### KEY TARGET AREAS

- Inventory
- Direct/Indirect Ratio
- Engineering
- Commercialization
- HR
- Mgmt/Supervision
- Maintenance
- QA/QC
- Planning
- Management System
- CIP

Using our *Operational Capability Maturity Assessment*, we take a hypothesis-based approach to ops improvement to move more quickly to what will “move the needle”

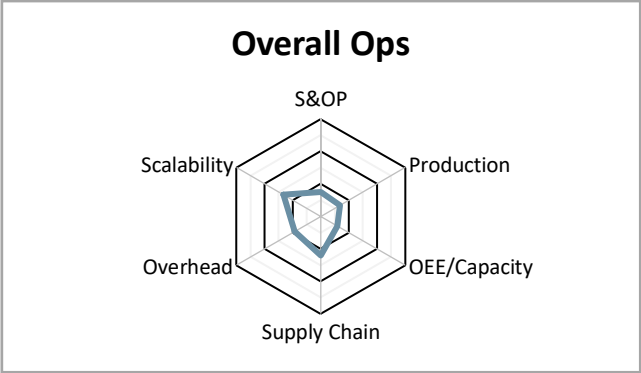


# The Operational Capability Maturity Assessment identifies critical value opportunities through a comprehensive scan

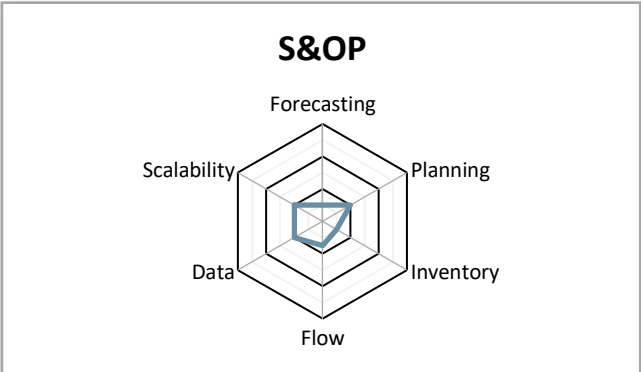
Our team of operations experts executes the assessment, identifying gaps and solutions

An overall view of operations quickly focuses on areas of strength and opportunity...

Scalability	Production	S&OP	Overhead	OEE/ Capacity	Supply Chain	Process
Supply Chain	R&D	Forecasting	NPD Commercialization	Labor Skills	Demand Planning	
S&OP	P&E Layout	Demand Planning	Engineering	Labor Scheduling	Supply Planning	
Production	Equipment Capability	Supply planning	Manufacturing capability	Performance	Source v. Make	
Engineering	Manufacturing Process	Plant Scheduling	Material Availability	Changeovers	Vendor Contract Review	
IT	Tools	Labor Scheduling	HR	Material Availability	Transport Contracts	
QA/QC	Lean Capabilities	MRP	Management Review	Maintenance WO System	Vendor On-time Delivery	
Process Flow	Visual Controls	Inventory Location	Maintenance	PM System	Quality of RM	
Ops Strategy	Planning	BOMs/Routes	QA	Maintenance Performance	Manufacturing Capability	
Organization	Execution	Line Balancing	QC	Work Standards	Warehousing Inventory Turns	
Bench Strength	Reporting	Process flow	Environmental	Scrap	Warehouse Cap Utilize	Performance
Equipment	ERP Systems	Workflow	Continuous improvement	Organization	Order Lead Time	
Facilities	Plant Capability	Analytic Batch Sizing	Management System	Inspection	Expedited Shipping	
Labor Skills	Productivity	Inventory Accuracy	Labor Dir/Indir	Availability	FG On-time Delivery	
Quality	Efficiency	Scrap	Turns	Downtime	FG In-full Delivery	
Maintenance	Labor Reg, OT	RAW & WIP	Dir/Indirect Labor	Set-ups	Quality/ Mis-pick Returns	
Forecasting	Ops Strategy	Ops Strategy	Strategy	Ops Strategy	Ops Strategy	
Capacity Utilization	Planning	Availability	Mission, Vision, Values	Availability	Plan	
Demand Planning	Organization	Labor	Functional Capability Goals	Labor	Sourcing	
Supply Planning	Feedback	Maintenance	HRO	Maintenance	Make	
Inventory Management	IT	Quality	Risks	Quality	Customer Responsiveness	Strategy



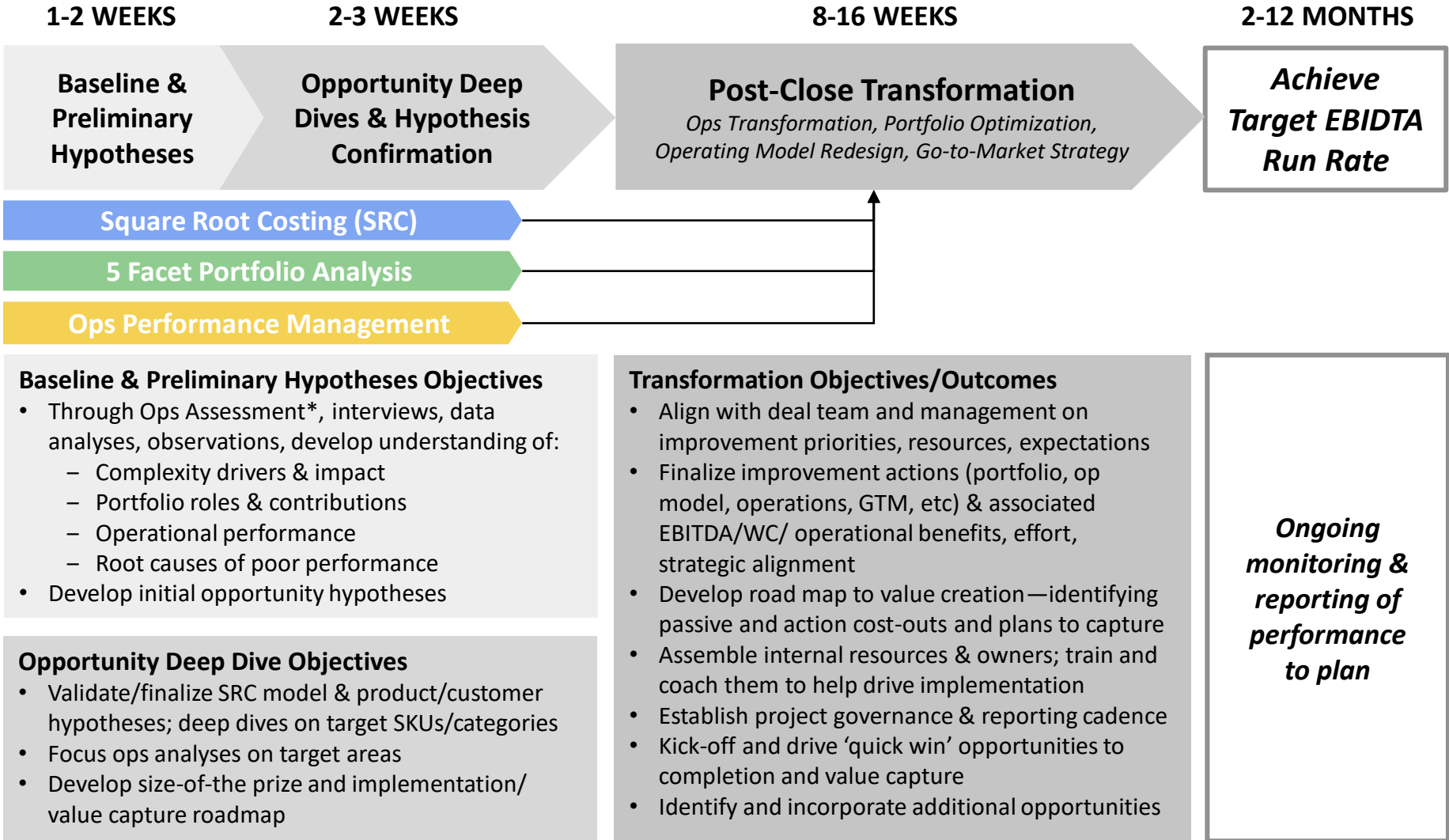
...followed by deep dives in areas of opportunity to refine hypotheses and identify improvement actions



**Our Operational Capability Maturity Assessment covers 6 core areas and 91 unique underlying processes and performance measures**

# Our flexible and scalable due diligence support model accelerates transformation and the path to value creation

## Typical Diligence Support Timeline



# Whether onsite or remote, WP&C ODD approach provides expanded insight with each step



## INITIAL HYPOTHESIS

- Activities**
- Advance site visit
  - Initial hypotheses and areas of focus
  - Data & interview requests development
  - Preliminary SRC modeling
  - Preliminary operational assessment
- Outputs**
- Preliminary SRC profitability analysis
  - Initial hypotheses
  - Data & interview requests



## WEEKS 1-2

- Discovery sessions/workshops with SME's to validate and analyze data
- Validate and adjust cost allocation assumptions for advanced SRC model
- Interviews, tours, observations for Ops Capability Maturity Assessment
- Portfolio opportunities identified — SKU, category, customers
- Engineering, Manufacturing, and Supply Chain opportunities analyses



## WEEKS 3-5

- Refined hypotheses and findings
- Category & 5-facet review
- Size-of-the-prize, opportunities workstream plan, quick wins development
- Complete Ops Assessment
- Ops Capability Maturity Assessment
- Finalized SRC model outputs
- Finalized operational assessment
- Improvement roadmap & workplans

### Project Support Resource

<b>Deal Team</b>	2-4 hrs/wk
<b>Project Lead</b>	4-6 hrs/wk

### Functional Stakeholder Support

<b>Finance</b>	4-6 hrs/wk
<b>Supply Chain</b>	4-6 hrs/wk
<b>Manufacturing</b>	6-8 hrs/wk

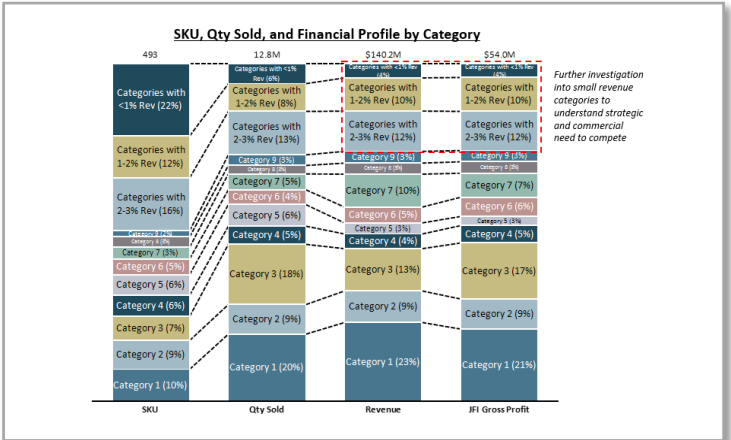
<b>R&amp;D</b>	2-4 hrs/wk
<b>Sales &amp; Marketing</b>	4-6 hrs/wk
<b>Product Mgmt</b>	4-6 hrs/wk

### Data Requirement

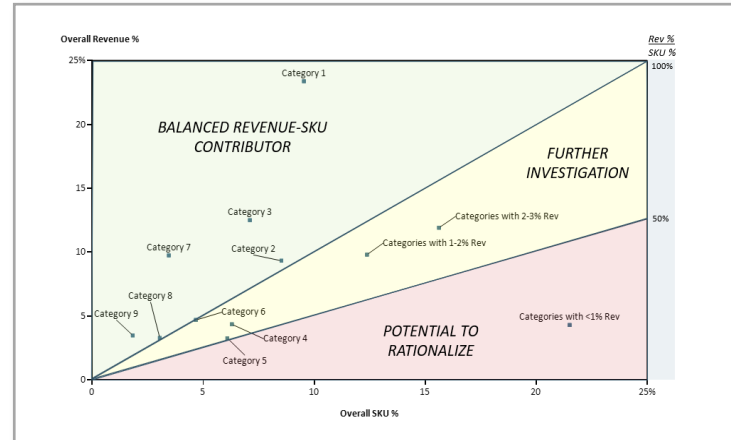
- P&L financials
- Historical sales order data
- SKU & customer masters
- Functional & SG&A spend details
- Supply Chain details (transportation, etc.)
- Inventory (Raw material, finished goods)
- Mfg performance (OEE, yield, scrap, etc.)
- Process maps
- Organization chart

# Sample Outputs\* – our analysis reveals opportunities for value creation not attainable through traditional diligence

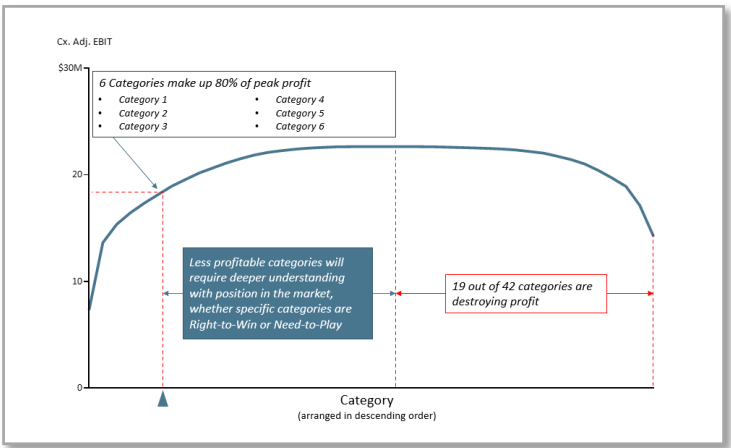
Category-SKU Walk Down identifies value drivers in the business



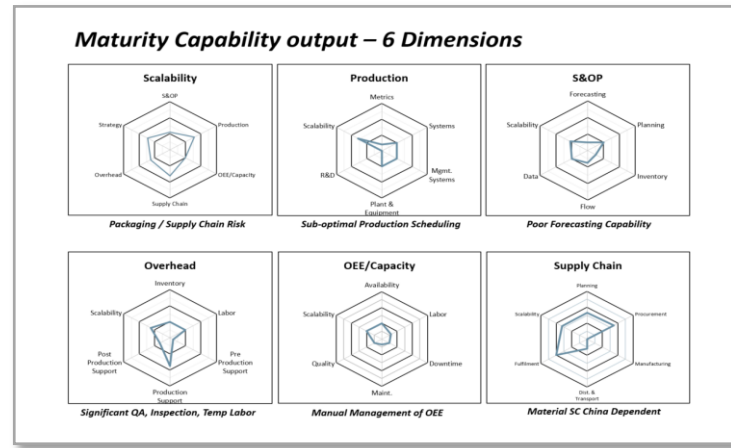
Revenue density, as a proxy for complexity, provides initial direction for category focus



Complexity-adjusted SKU profitability Whale Curve shows profit concentration/distortion






Operational Capability Maturity Assessment reveals areas of excellence/opportunity



\*sanitized results from an operational due diligence project for a leading US private equity firm in the nutritional supplement industry

# 20-40% EBITDA improvement in less than 12 months

	TYPICAL TRANSFORMATION HYPOTHESES	ACTIONS TO REALIZE BENEFIT	TIME TO FULL VALUE	100-DAY POTENTIAL
1	<p><b>Improve EBITDA by optimizing SKU, category, and customer portfolios</b></p>	<ul style="list-style-type: none"> <li>Align customer service levels with customer value; stop overserving low-value customers</li> <li>Adjust pricing to align with costs &amp; customer value</li> <li>Exit unprofitable markets and/or channels</li> <li>Rethink Make v. Buy and Make-to-order v. Make-to-stock</li> <li>Rationalize/repurpose SG&amp;A support, footprint, and inventory</li> <li>Focus sales &amp; marketing on profitable core products</li> </ul>	<p><b>6-12 months</b></p>	
2	<p><b>Improve EBITDA by consolidating SKUs to address production- and customer-driven complexity costs</b></p>	<ul style="list-style-type: none"> <li>Develop “profit pools” by product category</li> <li>Consolidate products with high substitutability</li> <li>Simplify SKU variation (size, color, flavor, etc)</li> <li>Rethink margin-neutral products—rationalize or reprice</li> <li>Eliminate unprofitable products/segments &amp; associated costs</li> <li>Commonize platforms/raw materials</li> <li>Address portfolio gaps</li> </ul>	<p><b>6-9 months</b></p>	
3	<p><b>Improve EBITDA by optimizing operations and realigning with revised portfolio</b></p>	<ul style="list-style-type: none"> <li>Reduce complexity across entire value stream</li> <li>Design E2E S&amp;OP process on top of current planning process</li> <li>Run batch optimization scenarios to determine best production schedule strategy</li> <li>Implement shop floor production system &amp; Lean tools</li> <li>Enhance Leadership &amp; Supervision effectiveness</li> <li>Align Labor utilization and skillset with demand</li> <li>Identify and operationalize automation opportunities</li> </ul>	<p><b>6-12 months</b></p>	

**Transformations are designed to be self-financing within year of execution and return >300% ROI within 2 years**

# WP&C's team members bring years of real-world operations experience

## *Select members of the WP&C Team*



### **Stephen Wilson, Managing Partner**

- Founder and managing partner of WP&C
- Co-author of “Growth in the Age of Complexity”, and “Waging War on Complexity Costs”
- Extensive portfolio simplification experience
- MBA in Finance and Strategy from Wharton



### **David Toth, Partner**

- 20+ years industry, consulting, and entrepreneurial experience across telecom, food services, and retail
- Operations due diligence experience with PE clients in the US and Europe
- BS/MS Industrial Engineering, Purdue



### **Scott Stallbaum, Manager**

- Deep project experience applying WP&C's SRC and portfolio optimization methods across industries
- Former mfg engineer & product launch mgr at Ford; manufacturing leader in med device industry
- BSME, Bucknell; MBA, Harvard Business School



### **Kristine McCarthy, Consultant**

- Extensive experience implementing operations improvements (large corporate and PE-owned comp.)
- Led rapid ops transformation for US footwear manufacturer—drove down costs, scrap, late shipments
- BS, Buffalo State College



### **Hundley Elliott, Partner**

- Significant large-scale operations transformation experience
- Prior Interim CEO in PE consumer Apparel company
- Co-author of Building High Performance Government
- MBA in Marketing and Finance, Indiana University



### **Colm Hendrick, Manager**

- Senior executive focused on operational performance & business transformation
- Successfully completed 100s of operational assessments, restructurings, business turnarounds
- University College, Cork, Ireland



### **Mel Lager, Senior Consultant**

- Expertise in business transformation & culture change
- Former c-level manufacturing leader with significant operations & turnaround experience with Alcoa, Alcan, and Cargill
- BSEET, Point Park University; MBA, Duke University



### **Cody Hostuttler, Consultant**

- Focus on operations optimization, manufacturing leadership, and business transformation
- Former engineering manager & operations acceleration program manager at Nestle Purina
- BSIE, WVU; MBA, Olin School of Business

# WP&C has significant experience helping portfolio firms identify and capture profitability and growth opportunities

## *Sample PE-sponsored projects and outcomes:*

For a **high-tech product provider**, assessed current operations as well as customer & product profitability to assess ability to meet 2x revenue target and grow profit margin; found over 40% savings. Assessed and redesigned warehouse and manufacturing workspace and process flow to reduce labor costs and backlog.

For a **home-based behavioral health provider**, increased clinical fulfillment by >18% in 2.5 months via quick wins while working to transform clinical operations to gain an additional 20% improvement, targeting 2x EBIT improvement.

For a **global clinical research organization (CRO)**, supported rationalization of therapeutic areas while rethinking op model, resource planning, and performance management for late phase trials. Helped overcome \$5M EBIT shortfall to realize best year in terms of profit and revenue.

For a **construction materials manufacturer**, reevaluated profitability in its 3 divisions. Transformed front-office and go-to-market approach of all 3 to target +25% EBIT improvement (Exec team sign-off with BOD). Very successful exit ~9 months later.



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## CASE STUDIES

- [Complexity Costing for a Major Beverage Company](#)
- [Portfolio Optimization at a European Food Company](#)
- [Restructuring for Growth at a Tech Company](#)
- [Assessing Complexity at a Powersports Vehicle Company](#)

## RESOURCES

- [Square Root Costing: Revealing the Cost of Complexity](#)
- [Customer and Product Profitability Overview](#)
- [Cost Reduction Overview](#)
- [Operating Model Redesign Overview](#)

## CONTACT US

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