Wilson Perumal & Company

OFFERING INTRODUCTION

BOOSTING LIQUIDITY

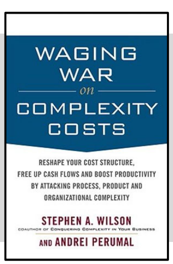
REDUCE WORKING CAPITAL AND IMPROVE CASH FLOW

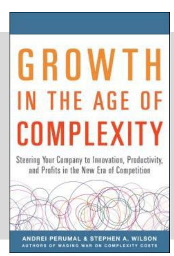
Executive Summary

- Companies need better liquidity, now and going forward, in order to
    1. Enable operations during current challenging period
    2. Fund requisite changes for new operating environment
    3. Protect as a buffer against changing demand, future shocks
- Wilson Perumal & Company is a premier consulting firm, with deep expertise in boosting liquidity, and helping companies thrive in a complex environment
    - We start by assessing the opportunity across the 8 levers of liquidity
    - A holistic approach that spans from DSO/DPO optimization to inventory reduction
- Typical results can yield increases in cash flow by 30%, with important nuances between product and service
    - Product companies: focus on working capital locked up in inventory and also consider go-to-market approach, operating model, product offerings, footprint, and distribution channels
    - Service companies: protect revenue by adapting the operating model to the right channels (e.g., online) and markets, and transition fixed to variable costs based on demand
- WP&C identifies the liquidity opportunities in an initial 4-5 week diagnostic
    - Diagnostic focuses on understanding the business, issues, and opportunities
    - Rolls right into a 10-12 week implementation to capture the most immediate opportunities

Wilson Perumal & Company at a glance

- Focused on complexity, helping clients compete in a complex world
- Boutique, strategy & ops consulting firm with ~40 full-time consultants
- Founded 2009 by Stephen Wilson and Andrei Perumal
- Value & results oriented: focus on profit, growth and working capital outcomes
- Publications: 2 books published by McGraw-Hill and significant work with The Wall Street Journal
- Our clients are leading corporations and private equity firms
- Consistently recognized (e.g., 2019 Best Small Strategy Firm to Work For)





Changes in the operating environment will likely require shifts in your strategy—and the liquidity to support them

EMERGING THEMES POST-PANDEMIC

Firm Resilience & Flexibility

Automation & Digitization

Remote Workforce

Health & Safety Focus

Remote/Hybrid Consumption

Government Regulation

POTENTIAL IMPLICATIONS FOR A BUSINESS

GO-TO MARKET STRATEGY

Update your channels and market presence; allow customers to easily reach you and purchase both online and in person

OFFERING PORTFOLIO

Update your offering to align with new consumer needs; leverage product development, acquisitions, and JVs to add missing offerings

SUPPLY CHAIN

Build flexible and resilient supply chains with a focus on partnerships and agility; boost e-commerce logistics capability

TECHNOLOGY

Increase cyber-security & automation; offer remote work tools and programs for employees

The 8 levers for boosting liquidity

WP&C's approach starts by understanding your business and assessing the business across 8 liquidity levers to boost both your balance sheet and your free cash flow from operations.

Starting wide, WP&C focuses quickly on the specific levers and actions that will create fast, durable liquidity.

1 REDUCE INVENTORY	2 DECREASE DSO
3 INCREASE DPO	4 OBTAIN FINANCING
5 OPTIMIZE ASSETS	6 OPTIMIZE CAPEX
7 REDUCE COSTS	8 PROTECT REVENUE

Companies can focus too quickly on one or two levers, neglecting the full set of options and leaving opportunity on the table

Reduce inventory: focus on your core products and optimize your manufacturing and distribution strategies

LEVER	LENS	EXAMPLE ACTIONS
1 REDUCE INVENTORY	PRODUCT OFFERING	**Consolidate raw materials & finished good inventory around your core offerings** Focus on the products that are most profitable, in highest demand, and best aligned to your strategy, and exit profit-destroying products
	MANUFACTURING STRATEGY	**Postpone conversion to limit finished good inventory and maintain flexibility** Do not produce or purchase inventory until the end product is sold or there is recognized, imminent demand; transition to make-to-order or procure-to-order where feasible
	SUPPLY CHAIN	**Enable factory-direct fulfillment to minimize downstream inventory** Minimize the touches and time it takes to ship & invoice by eliminating downstream movements in the supply chain. Often, larger customers or orders can be fulfilled directly from the plant
	DISTRIBUTION CHANNELS	**Incentivize your distribution channels to move inventory off your books** While this crisis is challenging everyone, it is still possible to reinforce expectations and programs, as well as reevaluate incentives (e.g., pricing, returns)
	INVENTORY FOOTPRINT	**Consolidate inventory locations and model requirements to reduce deployed inventory** While fewer locations for an item may mean longer lead times for some customers, this will also reduce safety stock requirements
	SERVICE LEVELS	**Align customer service levels to their needs and value** Accept lower fill-rates (e.g., low 90% instead of high 90%) to reduce safety stock requirements and adjust as cash returns

Many of these tactics will require new processes and coordination with customers and the supply base, which WP&C can design and implement

Note: These are examples and do not represent an exhaustive list.
We work with the client to identify and prioritize the most applicable liquidity levers for the business.

Optimize DSO, DPO, financing, and assets: decrease your cash cycle

LEVER	LENS	EXAMPLE ACTIONS
2 DECREASE DSO	CUSTOMER TERMS	**Set and enforce terms:** set terms by customer tiers and industry benchmarks, offer early-pay discounts, and work together to create and enforce terms that work for both parties
	OPERATIONAL EFFECTIVENESS	**Success components include:** customer set-up, digital dashboards & analytics, price management, collections capacity and tools, and clear metrics and expectations
	PAYMENT TOOLS	**Make it easy for customer to pay:** e.g., transition to 100% electronic invoicing, accept credit card payments
3 INCREASE DPO	PAYMENT TERMS	**Set favorable terms via:** supplier stratification, industry benchmarks, and negotiation with suppliers, creating terms that work for both parties
	OPERATIONAL EFFECTIVENESS	**Success components include:** management of payment cycle, exceptions, matching, and invoice submission, as well as clear metrics and expectations
	PAYMENT TOOLS	**Use favorable tools if needed:** e.g., procurement cards
4 OBTAIN FINANCING	GOVERNMENT	**Utilize current programs:** seek preferential lending tools (e.g. PPP), defer tax payments
	BANK	**Use current company bank to:** renew credit line revolver, obtain receivables-based loan
	INVESTORS	**Tap into capital markets:** issue equity or debt to investors
5 OPTIMIZE ASSETS	ASSET LIQUIDATION	**PP&E sale lease-backs:** Selling buildings, plants, or equipment and leasing these back can create immediate liquidity

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Optimize CAPEX, reduce costs, and protect revenue: assist key suppliers and customers to protect revenue

LEVER		LENS	EXAMPLE ACTIONS
6	OPTIMIZE CAPEX	CAPEX PRIORITIZATION	**Revisit CAPEX plans:** Which investments can wait? Which are needed now? Which are needed for a strong rebound?
7	REDUCE COSTS	VARIABLE COST REDUCTION	**Labor:** Decrease use of contractors and increase use of full-time employees; consider temporary salary reductions and temporary furloughs; postpone bonuses **Products & Services**: Optimize raw material pricing and procurement, delete or pause unprofitable SKUs or services
		CONVERSION OF FIXED COSTS TO VARIABLE COSTS	**Outsource key activities in short term**: BPO, contract manufacturing, 3rd party warehousing **Consolidate footprint use to match demand:** temporarily shut down facilities with low demand and re-open as demand picks up
8	PROTECT REVENUE	CHANNELS & MARKETS	**Prioritize channels & markets:** e.g., transition retail to e-commerce, and in-person healthcare to telehealth
		PRODUCT OFFERING	**New products and services:** launch new products and services to meet new customer needs by retooling current assets
		SUPPLY CHAIN	**Alleviate supply-chain constraints:** assist key suppliers, prioritizing by their impact to your revenue, to prevent supply disruption. Advance purchases, upfront payments, and loans can help your suppliers survive. If you can afford this in the short term, this will boost your revenue and liquidity in the medium term
		CUSTOMERS	**Alleviate key customer constraints:** assist key customers whose survival will benefit your revenue and liquidity in the medium term–if you can afford this in the short term–by servicing them at a discount or by prioritizing key services or products

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We work with the client to identify and prioritize the most applicable liquidity levers for the business.

Charting different recovery scenarios helps determine the right liquidity levels for long-term needs

RECOVERY PLAN INPUTS

1. **How will demand differ** now and in the future for your company and industry?

2. **How will the supply chain differ** now and in the future for your company and industry?

3. **How will the post-COVID 19 operating environment** affect your company?

4. **What is your recovery goal** (e.g. return to normal, 50% recovery, 75% recovery)?

RECOVERY LIQUIDITY POSITION MATRIX

Change in Operating Environment
(pre to post COVID-19)

Time to recovery	Small	Large
Long	***Moderate Example B*** - *Convert fixed costs to variable costs* - *Reduce labor costs* - *Update channels to online & aide key customers to protect revenue* - *Utilize gov't programs*	***Aggressive Example D*** - *PP&E Sale lease backs* - *Reformulate channels and product offering to protect revenue* - *Utilize gov't programs* - *Tap into capital markets*
Short	***Conservative Example A*** - *Decrease inventory by focusing on key products* - *Negotiate customer and supplier payment terms*	***Moderate Example C*** - *Optimize CAPEX to adapt to new operating environment* - *Update channels to online to protect revenue* - *Utilize gov't programs*

Note: examples are illustrative; WP&C will help you define optimal liquidity levers for your company.

Actions to boost liquidity often raise common questions and concerns

CHALLENGES	KEYS FOR SUCCESS
Fear of Lost Revenue	• Identify substitutes for any disrupted/discontinued products • Communicate any changes in advance and work with customers to renegotiate terms of delivery • Explore alternate channels and sources of revenue
Vendor Resistance	• Analyze and segment vendors into tiers by value; take proportional action and develop messaging for each tier • Communicate early and often; emphasize long-term relationship and common goals when renegotiating terms • Potentially collaborate on contingency planning
Change Management	• Create centralized liquidity team to monitor/approve cashflows • Identify and tap talent outside of traditional functions (or outside firm) for crisis navigation teams • Create and empower new, small teams to help develop and implement liquidity boost levers
Insufficient Data or Systems	• Rapidly assess available data from all sources, and synthesize to central dashboard to monitor liquidity • Create new cash flow forecasts over different time horizons under various conditions • Identify gaps and start capturing new data to measure impacts

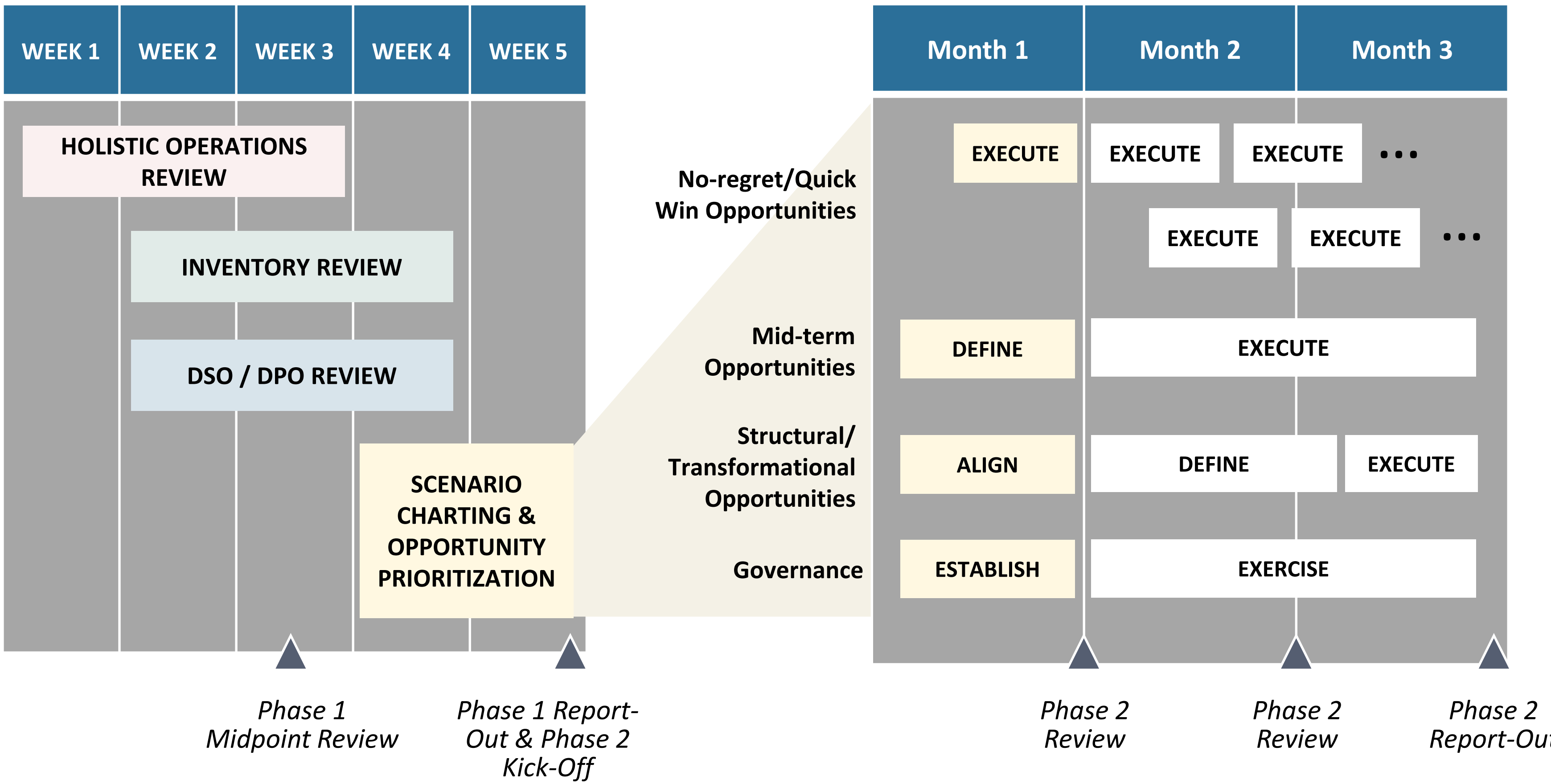
RESULTS

- ✓ *Significant cash increase in weeks, not months*
- ✓ *Improved relationship with suppliers and improved service for customers*
- ✓ *Contingency plans for different scenarios and better ability to manage future change and uncertainty*
- ✓ *Better positioning for long-term success*
- ✓ *Clear, dynamic picture of liquidity position*
- ✓ *Dedicated resources with clear authority*
- ✓ *Data-driven, risk-adjusted decisions*

We typically support via a two-phased effort: a 4-5 week assessment, followed by 10-12 weeks of execution

1 Rapid, 5-week assessment of liquidity opportunities and their impact on the business

2 Short, mid, and longer-term opportunity realization, definition, and planning over ~3 months



<u>*Case Study #1: Global Mineral Exploration Company*</u>

Increased operating cash flow by 30%

We helped a global mineral exploration company increase cash flow by 30% and bridge short-term liquidity gaps through immediate and long term actions.

FOCUS AREAS	ACTIONS
INVENTORY REDUCTION	• Focused strategies to convert inventory to cash via new and existing customers & channels • Developed promotional pricing/packaging offers • Established internal sales programs and guidelines to accelerate purchases
SPARE PARTS STOCK STRATEGY (STOCK ITEMS → MTO)	• Classified parts • Developed stocking rules/actions • Identified partner suppliers & core/secondary item service levels
REFOCUSING ON CORE PORTFOLIO	• Built regionally-focused portfolios and stocking strategies • Set defined MTO policy for all non-core products
FULFILLMENT IMPROVEMENT (LARGE & INFREQUENT ORDERS)	• Created understanding of current manufacturing process/capabilities to design new system • Imbued customer expectations into service & LT
TAIL SPEND ANALYSIS (SPEND & VENDOR REDUCTION)	• Identified biggest levers for max. opportunity • Addressed key suppliers and improved definitions for future actions • Segmented & acted on suppliers by opportunity—preferred, consolidate & negotiate, eliminate • Built governance and adherence rules to ensure lasting change

BENEFITS

30% increase in operating cash flow

Closed short term liquidity gaps in 10 weeks

15% Reduction in SLOB Inventory

30%+ reduction in total rod inventory, *while improving service levels*

Identified $200M of unaddressed spend with ***cash benefit of $5M – $7M***

Case Study #2: F250 Consumer Durables Company

Reduced WC by 20% while refocusing portfolio strategy

We helped a Fortune 250 consumer durables company reduce inventory by 20% while reshaping the product portfolio strategy and reducing operating expenses by 15%.

FOCUS AREAS	ACTIONS
SKU RATIONALIZATION	• Reduced overall SKUs by 30% aligning more closely with strategic vision • Limited product breadth impact (SKUs & sub-cats eliminated, not full product cats)
INVENTORY REDUCTION	• Reduced FG & RM inventory by 20% • Consolidated redundant raw materials to simplify product storage and shipping • Re-purposed raw materials inventory into core finished goods offerings to reduce obsolescence
RETURN ON ASSETS IMPROVEMENT	• Redesigned warehouse footprint, improving asset utilization to 80% and floor space allocation • Freed-up warehouse space for future growth and enabling significant cost avoidance
OPERATING EXPENSE REDUCTION	• Reduced storage cost by 12% via improved pallet utilization, reduced touches, pick-pack labor, and direct shipping costs • Improved operational flow and reduced NVA labor and scrap, improving yield and quality

BENEFITS

20% decrease in inventory

Increased warehousing capacity by 15% - 20% freeing room for growth

Reduced operating expenses by 15% *improving labor efficiency and reducing down-time*

Built a more nimble portfolio, with 30% fewer SKUs while maintaining revenue and growing GP by 10%

Case Study #3: Multibillion-Dollar Staffing Firm

$65M reduction in working capital requirements

We helped a Multibillion-Dollar staffing firm decrease WC requirements by $65M by reducing DSO by 9+ days through better payment terms and reduction of late payments.

FOCUS AREAS	ACTIONS	BENEFITS
CUSTOMER PAYMENT TERMS OPTIMIZATION	• Redefine franchise-branch DSO policies • Implement branch-level DSO incentives • Improve rate management (set-up & mgmt. of change)	***~$65M reduction in working capital needs*** ***9+ day reduction in DSO***
CUSTOMER LATE PAYMENTS REDUCTION	• Leverage technology to reduce invoice error rates and improve speed (eTime/Bridge process/tool project) • Improve invoice process (send directly to client) • Establish responsibility and accountability between branches and shared services—from customer set-up through collections • Refine approaches, processes, roles, and org within Collections & Credit • Implement customer scorecards	*~13 day reduction in avg. time to pay for 50% of franchise customers* *30% reduction in invoice errors from top 10% of invoices*

CONTACT US

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RESOURCES

3 Levers to Navigate Through COVID-19
Achieving Next Level Cost-Reductions
Getting Go-to-Market Strategy Alignment Right