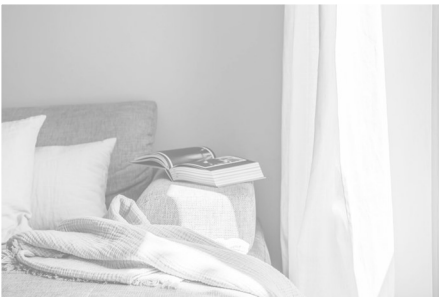
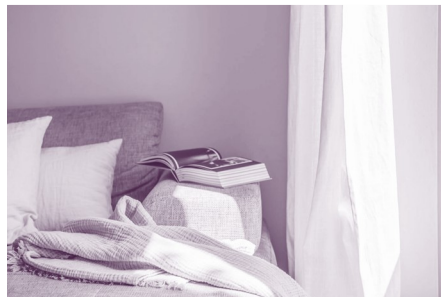
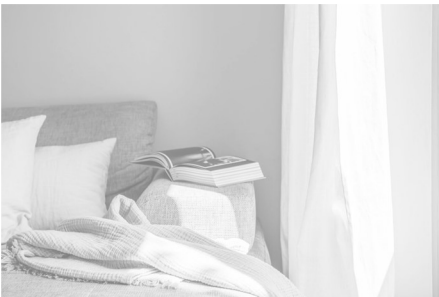


CONSUMER PRODUCTS EXPERIENCE CASE |

Consolidating Production and Maximizing Utilization Across Plants



Improving Plant Utilization and Profit Margins
with a Consumer Products Manufacturer,
Marketer, and Distributor



EXPERIENCE CASE | Manufacturer, Marketer, and Distributor

Building Internal Capabilities and Maximizing Utilization

Need for Change

A Private Equity client came to us with an interesting value creation acceleration opportunity. The PE firm had just acquired a consumer products manufacturer but needed to quickly consolidate the organizational footprint and improve plant utilization. With a noted history of creating in-demand, high-quality branded products sold at large retail chains in the US and Canada, the new owners were very enthusiastic about the upside potential of this particular investment given their new acquisition's coveted customer base, strong retail relationships, higher margin, branded product lines, and performance improvement potential across plants. Fortunately, we worked with this PE firm on prior collaborations over the years and were brought in to build up in-house operational capabilities—working with the PE Managing Directors, Operating Partners, and the firm's newly assembled Management Team.

Consumer Products Firm Background

This consumer products manufacturer was no stranger to fierce competition. As a North American manufacturer selling products through multibillion-dollar retail chains, they were well-practiced at operating in a world of asymmetrical bargaining and pricing power at the behest of their better-capitalized customers. The team primarily focused on manufacturing, marketing, and distribution of 12 brands across 5 key product categories. The majority of sales came from 7 large, multi-location retail chains across the US and Canada. While the firm was testing the waters with a direct-to-consumer e-commerce model, this promising channel was in its infancy and made up less than 10% of current sales.

They had grown over the years through various brand acquisitions and corresponding plant production expertise. Consequently, they never had much of a chance to create a unified production process shared across all plants. Too busy taking care of customers with discerning taste and very high expectations.

Organizational Issues

Adding to the on-going challenges of coordinating recently acquired plants and new team members, the firm had just emerged from bankruptcy. Although the reorganization was in the rear-view mirror, the new organization was still building their Management (looking for several Plant Managers and a COO). With financial strain weighing upon the team for years, team members were very sensitive to drastic changes and wary of yet another team of consultants. While building up in-house capabilities, company morale could use a few wins to boost the team's collective confidence, too.

Several operational challenges included:



Consumer Products

Case Synopsis

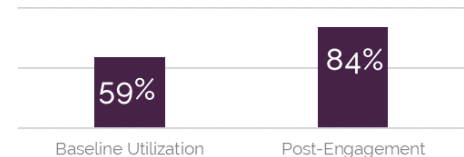
- Improving plant utilization, materials management, and profit margins in a consumer products manufacturer, marketer, and distributor

Client Profile

- \$400+ million portfolio firm
- Private Equity Ownership

Engagement Results

42% Improvement
 In Plant Capacity Utilization
 (Across 5 Plants)



Operational Benefits

- Improved Sales & Operations Planning
- Optimized Product Lifecycle Management
- More Efficient Plant Floor Design
- Implemented Lean Metrics
- Enhanced Plant Network Optimization

Organizational Benefits

- 30%+ Footprint Reduction through Consolidated Plant Operations
- Unified Production and Planning Team Training Program
- Interim Chief Operating Officer in Place Through Catalyft Executive Augmentation
- Better Data Flow and Performance Visualization
- Accelerated Competitive Positioning Post-Reorganization
- Lower Production and Inventory Costs

Financial Benefits

- Doubled year-over-year EBITDA run-rate



On-Time Delivery Pressure—Customers were pressuring the team to deliver products with more consistency and lower costs. On-Time-Delivery across plants manufacturing all product categories ranged from 72% at the low-end to 98% at the top.

Excess Production Capacity—Looking at the plants en masse from a blended labor, skills, and equipment capacity perspective, customer demand was much lower than total production capacity. Historically, capacity had been coordinated at the plant level rather than aggregated across all plants. While each plant produced specific product lines, there was definitely some capacity overlap to shift production of specific SKUs across plants. Looking closer at each plant's inherent capacities, production lines were not balanced and upgraded work-to-time standards were dated (if they even existed). The firm needed to match production capacity more closely with demand. And they needed to see capacity and manage across the plants.

Two Enterprise Resource Planning (ERP) Systems—Most production capacity was located in the US; however, the organization had inherited two ERP systems—SAP and Oracle. A legacy of their past acquisitions without the deep assimilation of systems and processes. This parallel system caused trouble while tightly managing materials inputs, work in process, and inventory levels across the company. Management did not have the reporting extracts they needed to make quick, margin-enhancing decisions as they wanted to be able to do. And there's additional licensing fees, maintenance fees, and ERP expertise that must be paid for, too.

Maintenance Needed More Professionalization—Initial root cause analysis of the on-time delivery track record showed 64% of schedule misses were attributed to mechanical downtime problems. While Maintenance had a strong working relationship with Production at most plants, the team was lacking in maintenance-related key performance indicators (KPIs) and a unifying maintenance database across plants to see where the most problematic equipment resided.

Inconsistent Visual Factory Cues—The plants had inconsistent applications of lean principles from location to location, with no over-arching agreement on visual cues to see what needed to be done to prevent mistakes and waste. Materials management controls, visual factory cues, and 5S signifiers were lacking. Plant Management expended an inordinate amount of energy and time to help coordinate raw materials, work in process, and finished goods flow.

Patchwork Training and Onboarding—Each plant had their own way of training and onboarding team members, leading to inconsistent management training and coaching program across plants. Maintenance needed a training program to transfer tribal knowledge across the entire team—not just within a single plant.

Opaque Product Life Cycle—As part of past acquisitions, the team had retained several brands. But not all SKUs were turning as budgeted. They needed a deeper understanding of their current brand portfolio performance and to reduce any margin-eroding SKUs they were not contractually obligated to make. To build a process and data sets around portfolio life cycle decisions, the team was looking to incorporate more customer evaluation data into their product portfolio decision-making.



Catalyft Team's Collective
Consumer Products Engagements:

15+
Consumer Products
Engagements
(Team Total)

4
Workstreams Per Engagement
(Historical Average)

6
Number of Months For Most
Consumer Products
Engagements

\$90 Million
Consumer Products Clients'
Revenue Size
(Historical Average)

4.5 to 1
Consumer Products
Return On
Investment



Key Components to Comprehensive, Flexible Plant Utilization

Working with Private Equity Operating Partners, Portfolio Firm Management, and a team of 3 Planning and Production Subject Matter Experts, a Project Manager, and a Data Specialist across 24 weeks, several key process and systems components were developed and implemented:

1 | Project Management Office (PMO)—Provided triple constraint (time, cost, scope) visibility of plant consolidation moves. Developed risk mitigation and risk removal actions across the collaboration. Deployed change management tools and multi-channel communication to update client team members and get them involved in the solution. Implemented handoff procedures and training program for new tools and processes to unify production and management processes across all plants.

2 | Sales & Operations Planning (S&OP)—Aligned business processes across Sales & Marketing, Sourcing, Operations, Materials, and Shipping. Designed and implemented Forecast-to-Ship process and necessary supporting tools. Clarified roles and responsibilities imperative for a flexible, responsive S&OP process and tied internal service level agreements (SLAs) to provide performance visibility across all facets of the planning process.

3 | Financial and Operational Visibility—Developed and implemented lean production & maintenance metrics (including plant utilization, efficiency, productivity, on-time-delivery), created a weekly materials spend dashboard extract from SAP and Oracle ERP systems as an interim fix until go-forward ERP strategy was established. Developed a suite of financial and operational performance dashboards including a customized inventory & spend projection view, SKU-level sales budget variances, cash wire transfer dashboards, daily shortage and fulfillment reporting views, a forecasting forensics dashboard, a data mapping corrections summary, and an "If/Then Special Consideration" report.

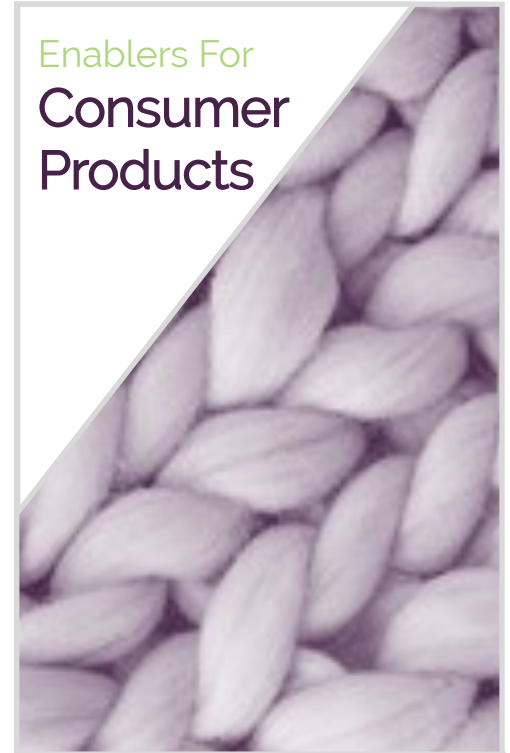
4 | Product Life Cycle Management—Limited SKU complexity and unprofitability through pricing and portfolio modeling. Reduced lead times across the portfolio through lean process re-engineering. Developed a stronger process and controls for new product launches in the future.

5 | Inventory Modeling—Scrubbed inventory-related data across the two extant ERP systems. Improved cross-functional alignment and goods flow visibility through daily metrics, new reporting hierarchy, and leaner materials policies. Modeled options for product replenishment (optimizing inventory investment, service, and cost). Created a process to manage product offerings and customer priorities with data. Implemented clear visual factory cues for materials management, work-in-process, and finished goods controls.

6 | Plant Consolidation and Optimization—Reduced the production footprint by 30%+. Unified the Plant Production Process incorporating lean principles, firm-wide best practices, one-point lessons / decision trees for improving total plant productivity. Provided more overall equipment effectiveness (OEE) visibility including understanding reasons behind downtime and OEE decision trees. Built Master Production Schedule (MPS) to include standard planning parameters such as lot sizes, available-to-promise, delivery horizons, and ABC classifications. Improved order segmentation application. Re-designed plant floor error-proofing visuals. Bolstered the existing Maintenance database to include critical



Enablers For Consumer Products



Team Performance Enablers:

- ⇒ Strategic Sourcing Professionalization
- ⇒ Dynamic Portfolio Pricing and "Should Cost" Modeling
- ⇒ Market Intelligence Sharing Across Distribution Channels
- ⇒ Collaborative Employee Communication and Engagement
- ⇒ SKU Rationalization Procedure
- ⇒ Enhanced Sales & Operations Planning Integration
- ⇒ Complex Technology Integrations
- ⇒ Data Analytics and Visualization Timeliness and Usability
- ⇒ Production and Maintenance Excellence and Integration



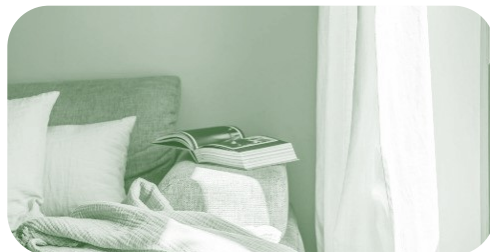
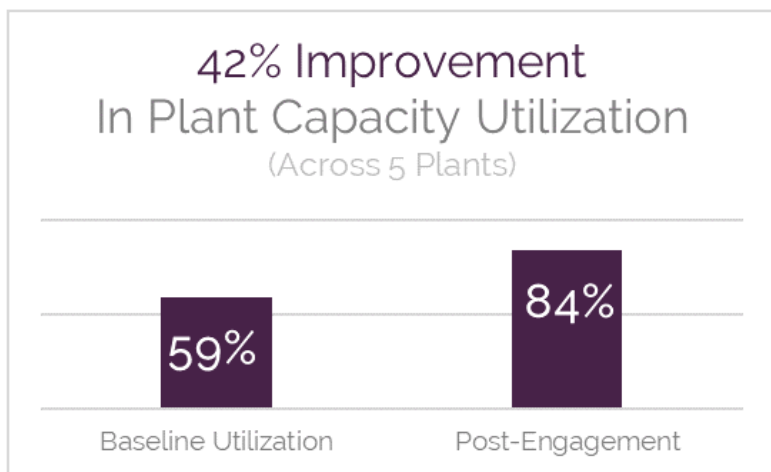
spare levels incorporated into the data view.

7 | Interim COO and Plant Management—Provided executive-level operational decision-making as interim COO and covered one Plant Manager position, until permanent executives were found and appointed by the PE team.

8 | Sustainability Knowledge Management Handoff—Restructured key planning and performance review meetings including Plant Management Meeting, Daily Fulfillment Meeting, ERP Status Review (using SAP and Oracle combination report), Sales Forecast Meeting, Plant Capacity Utilization Meeting. Implemented key procedures and training materials including COO Onboarding Package, financial impact map tied to daily operational decisions, safety stock planning, daily schedule attainment dashboard combined with GEMBA walks, and S&OP management basics.

Latest Results

Working with the PE team and us, Firm Executives and Management reduced their production footprint by 30%+ in months to provide more responsive, customer-oriented product deliveries at lower operating and capital costs—providing a 42% improvement in plant utilization across all on-going plants and placing Management on a trajectory of doubling EBITDA year-over-year.



CEO TESTIMONIAL

"Catalyft LLC has been instrumental in accelerating our performance improvements after exiting Chapter 11 bankruptcy. We have worked with multiple consultants in the past and the Catalyft team was on top of things from Day 1. Catalyft brought in a unique blend of senior practitioners who drove the improvement process across multiple parts of our business. They acted as interim COO, assisted us in cash flow forecasting, sales analytics and forecasting, inventory planning, S&OP process, manufacturing schedule attainment, manufacturing improvements by installing best practices, and rolled up their sleeves on any other issues that arose. They are a 'no fluff' group that drives EBITDA improvements, accelerates growth, and are entirely focused on driving customer-centric solutions. I highly recommend them."

Chief Executive Officer
***** Products

catalyft
Business Improvement & Advisory Services

Turning Organizational Energy Into Results That Matter

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