



OPENGATE CAPITAL











A GLOBAL PRIVATE EQUITY FIRM

OPENGATE CAPITAL MANAGEMENT OPERATIONS VALUE CREATION PLAYBOOK (DRAFT)

MARCH 2020



OGC Operations value creation playbook: Status Update

1	Carve Out and Transition		Transition planning	Carve-out management	Strategic Planning			
2	Transformation and Restructuring		Post merger integration	Restructuring execution expertise	Industrial footprint optimization			
3	OGx and Innovation		Technology roadmap & disruption	New product development	R&D efficiency and effectiveness			
4	Portfolio Optimization and M&A		Divestment of non-core activities	Real Estate Sale & Leaseback	Add-on acquisitions and integration	Strategic CAPEX plans		
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7	Operational Improvements		Purchasing & Procurement	Manufacturing Productivity & Safety	Quality	Scheduling	CI / Lean	Inventory
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Section 1 | Carve Out and Transition



1 OGC Operations Playbook: Carve Out and Transition Planning

Transition planning

Standard Workstreams



- **Communication plan:** Announcement letter to employees, supplier, customers; all employee town hall meeting; press release
- **Human capital:** Management incentive (cash bonus) plan, management equity plan, employee benefits transition
- **Hiring:** High priority value-creating positions
- **Governance and Internal Control:** Internal control and authority matrix, employee ethics and compliance hotline, auditor selection
- **Financial reporting:** Annual reporting calendar, daily / weekly / monthly / quarterly reporting materials, annual operating plan materials, iLEVEL training
- **Treasury:** 13-week cash flow forecast, bank accounts, credit cads, lender reporting templates, compliance summary
- **Transaction:** Closing statement, opening balance sheet, insurance
- **IT:** Security assessment, ERP implementation (as needed)

Opportunity Indicators – When is this used?



- **All deals** – Important to ensure smooth transition into OGC ownership

Data & Resources Required



- Led by OGC Operations in conjunction with CEO and CFO

Expert Resources



- Human Capital / Hiring: BeckWay Group
- Financial Reporting / Treasury: BeckWay Group
- Opening balance sheet: audit firms (e.g., Crowe, Miller Cooper)

Implementation Costs & Timing



- Beginning up to 1 month before signing, substantially completed within 3 months post-close
- Opening balance sheet: ~\$15-30K
- Financial reporting support: \$15-100K

Impact Ranges



Enabler (visibility & stability)

1 OGC Operations Playbook: Carve Out and Transition Planning

Carve-out management

Standard Workstreams



- **Transition Services Agreement:** Agreement of services to be provided by corporate parent for an agreed-to length of time (e.g., payroll, employee benefits, financial reporting, IT systems, freight management)
- **Hiring plan:** Focused on key executive and non-executive hires required to build a standalone business
- **Human capital:** Payroll, benefits, 401(k), systems, and policies
- **Financial processes:** treasury, order to cash process, procure to pay process, record to report process
- **Marketing / brand:** company name, ending use of corporate parent name, logo
- **IT:** ERP, CRM, email migration, web site, eCommerce, Warehouse Management System, policies

Opportunity Indicators – When is this used?



- **All corporate carve-outs** – Especially important for businesses with shared services and/or organizational integration with corporate parent or other business units not coming with the deal

Data & Resources Required



- Led by OGC Operations in conjunction with full executive team

Expert Resources



- Hiring plan / Human capital: BeckWay Group
- Financial processes: BeckWay Group
- Marketing / brand: XponentialWorks
- IT: Answerport

Implementation Costs & Timing



- Beginning up to 1 month before signing, substantially completed within 12 months post-close
- Costs vary depending on requirements

Impact Ranges



**Enables
standalone
business**

1 OGC Operations Playbook: Carve Out and Transition Planning

Strategic planning

Standard Workstreams



- **CEO / CFO preparation meeting:** Review Strategic Planning process and calendar and select participants
- **Preparation materials:** Completed by all participants in advance of Strategic Planning kickoff sessions
- **Kickoff meeting:** Two-day in-person sessions to align on Vision, Point of Departure, Strategic Pillars, and Strategic Initiatives
- **Initiative charters:** Initiative leaders develop a charter for each of their initiatives outlining key goals, team members, and key milestones
- **Initiative workplans:** Initiative leaders develop a workplan detailing the steps and timeline required to complete each initiative
- **Steering Committee meetings:** Bi-weekly meetings with all initiative leaders to review progress against execution of workplans

Opportunity Indicators – When is this used?



- **All deals** – Important to ensure alignment of management team around key value drivers

Data & Resources Required



- Led by OGC Operations in conjunction with strategic initiative leaders

Expert Resources



- Strategic advisors (vary)

Implementation Costs & Timing



- Planning beginning within 1 month post-close and substantially completed within 3 months post-close
- Execution ongoing
- No costs associated with planning; initiative execution costs vary

Impact Ranges



Varies based on initiatives identified and executed

Section 2 | Transformation and Restructuring



4 OGC Operations Playbook: Transformation & Restructuring

Complexity reduction & organizational re-design

Standard Workstreams



- **Product portfolio review:** Comprehensive product/client portfolio review, mapping products on their additional growth potential and the contribution margin rate
- **Portfolio cleanup:** Based on the current portfolio analysis, redefine the scope of the target future product portfolio with the aim to reduce complexity by minimum 20% (SKU basis), derive new annual sales volume and margin from target portfolio
- **Organization re-design :** Bottom up re-design or organization by function considering reduced complexity and target sales and margin levels (zero growth assumption); target to achieve EBITDA gains over the prior situation (if loss making, break even as target = “zero based budgeting”)
- **Restructuring plan:** typically the organization re-design results in a restructuring effort; please see section “Restructuring”
- **Management incentives:** for an effective portfolio optimization project specific management incentives should be set as the shrinking of the company size and sometimes market importance is not intuitive for senior management

Opportunity Indicators – When is this used?



- **Predominantly turnaround cases, underperforming activities**

Data & Resources Required



- Detailed sales breakdown by product and client with margin levels and evolution over time
- Portfolio plan (typically prepared as part of the budgeting process) versus actual performance

Implementation Costs & Timing



- 4 -8 weeks
- Implementation depending on sales cycle time and seasonality

Expert Resources



- Profit velocity
- Alix Partners
- Roland Berger

Impact Ranges



Achieve break even for loss making activities

2 OGC Operations Playbook: Transformation & Restructuring

Restructuring Planning

Standard Workstreams



- **Organizational design:** Design leaner organizational structure and match with current structure to identify saving potential
- **Restructuring Plan:** Develop detailed restructuring plan per function/department/site including quantification of annual savings and one-off investments (severance, project cost, interruption cost); calculate payback period
- **Viability check and Go-No-Go decision:** viability check on execution with legal and social experts (local circumstances to be considered); Go-No-Go decision based on executability and financial attractiveness

Opportunity Indicators – When is this used?



- **All deals with operational angle:** applicable for carve outs and special situations with underperforming activities; can also be a specific measure for a distinct strategic initiative (e.g. relocation of activities)

Data & Resources Required



- Strategic plan
- Organizational structure
- Employee census with payroll data
- Severance calculations based on local requirements

Expert Resources



- Legal & social advisor (depending on country)

Implementation Costs & Timing



- 1-3 months

Impact Ranges



Varies based on initiatives identified and executed

2 OGC Operations Playbook: Transformation & Restructuring

Restructuring Execution

Standard Workstreams



- **Project Plan:** Develop project plan with roles and responsibilities and timing incl key milestones for the execution
- **Procedural step plan and Identification of key individuals:** Considering local regulations a procedural step plan is needed; in some countries the individuals affected by the restructuring can be selected in others selection is done according to objective criteria
- **Contingency planning:** Develop a contingency plan to avoid business interruption during the restructuring execution phase
- **Communication:** Define internal and external communication rules and Q&A
- **CRO & steering committee:** Depending on size and restructuring complexity appoint Chief Restructuring Officer and restructuring steering committee
- **KPIs:** develop project KPIs to monitor financial effectiveness of restructuring efforts versus the plan

Opportunity Indicators – When is this used?



- All restructuring situation

Data & Resources Required



- CRO
- Steering committee
- OGC supervision

Implementation Costs & Timing



- 3-9 months depending on country and complexity

Expert Resources



- Legal & social advisor (depending on country)
- Communication advisor (e.g. Brunswick Group)
- Potentially restructuring advisor (e.g. AlixPartners)

Impact Ranges



Varies based on initiatives identified and executed

2 OGC Operations Playbook: Transformation & Restructuring

Industrial footprint optimization planning

Standard Workstreams



- **Develop industrial roadmap:** Roadmap should be based on the strategic portfolio and sales plan, identify critical size by location and complexity of industrial setup (production steps, machinery, idle capacity, availability and cost of labor)
- **Scenario play:** given the high complexity there is typically no ideal setup for an industrial setup, create multiple scenarios to test improvement opportunities considering main criteria: savings through consolidation, savings through automation, savings through relocation to low labor cost countries
- **Viability testing:** Viability of industrial footprint change needs to be tested against one-off cost (CAPEX, severance) versus savings (payback) and business interruption risks (loss of customers, interruption of production, safety stock), consider negative financial implications (higher transportation cost, longer lead & delivery time)
- **Plan validation:** Utilize external consultants to test and validate the plan prior to a formal decision
- **Go-no-go decision:** Due to high business and financial risks, conduct formal decision board with business management and OGC before execution phase

Opportunity Indicators – When is this used?



- **Industrial activities**

Data & Resources Required



- Detailed industrial setup map
- Production activities by location
- Supply chain dependences

Implementation Costs & Timing



- 2-4 months

Expert Resources



- AlixPartners
- Industry consultants

Impact Ranges



Varies based on initiatives identified

2 OGC Operations Playbook: Transformation & Restructuring

Post merger integration

Standard Workstreams



- **Organizational design:** Design proforma organizational structure
- **Synergy quantification:** Identify areas of synergy including headcount, purchasing, pricing
- **Harmonize sales:** Identify cross sell opportunities, design go forward organization and harmonize compensation plans
- **Integration project management:** Structure and stand up an integration management office to oversee the process management of the integration

Opportunity Indicators – When is this used?



- Post bolt on acquisition

Data & Resources Required



- Employee census
- Purchasing data cube
- Detailed customer and product specifications

Implementation Costs & Timing



- 6-9 months
- ~10k/week

Expert Resources



- Beckway
- Oliver Wyman

Impact Ranges



Synergy is typically 10-20% of EBITDA

Section 3 | OGx and Innovation



3 OGC Operations Playbook: OGx and Innovation

Technology roadmap and disruption

Standard Workstreams



- **Industry 4.0:** Enhancing efficiency / effectiveness of manufacturing processes through application of advanced technology (e.g., 3D printing, AI vision, sensors, IoT)
- **Technological product development:** Applying technology to existing or new products to better meet end user needs and potentially create recurring revenue opportunities (e.g., biometrics, Bluetooth, wifi, data collection and analytics, mobile app)
- **Back office automation:** Utilizing AI and machine learning to streamline back office processes (e.g., robotic process automation, cloud-based data analytics and reporting, decision management)

Opportunity Indicators – When is this used?



- **Industry 4.0:** Useful in manufacturing environments that experience quality or efficiency issues due to limitations of human operators
- **Technological product development:** Useful in industries lacking technology-driven innovation or differentiation
- **Back office automation:** Useful in automating standard processes (e.g., AP, EDI) and even more complex processes (e.g., chat bots, decision management)

Data & Resources Required



- Technical expert assessment required to identify and validate areas of opportunity

Implementation Costs & Timing



- Specific by initiative

Expert Resources



- XponentialWorks

Impact Ranges



**To be determined
by specific
initiative**

3 OGC Operations Playbook: OGx and Innovation

New product development

Standard Workstreams



- **Stage gate process:** Phased approach designed to encourage thoughtful and data-driven pursuit of new product development opportunities
- **Voice of customer:** Developing processes to gather feedback from customers to inform current and new products
- **Launch planning:** Standard process for aligning engineering, manufacturing, sales, and marketing to ensure successful product launches and maximize sales effectiveness

Opportunity Indicators – When is this used?



- **Applicable in businesses that regularly develop new products and have experienced problems related to development timing, development cost, and/or post-development sales**

Data & Resources Required



- Customer feedback
- Market data
- Financial projections (required investment, expected sales)

Implementation Costs & Timing



- No cost to implement internal processes
- New product development costs will vary based on opportunity

Expert Resources



- XponentialWorks

Impact Ranges



**To be determined
by specific
initiative**

3 OGC Operations Playbook: OGx and Innovation

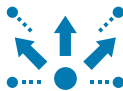
R&D efficiency and effectiveness

Standard Workstreams



- **3D printing:** Facilitates fast prototyping
- **Lightweighting:** Uses algorithms to remove material from product designs while maintaining structural integrity
- **Outsourced engineering:** Developing external relationships to augment total engineering capacity and/or provide expertise not maintained in-house

Opportunity Indicators – When is this used?



- **Applicable in businesses that regularly develop new products**

Data & Resources Required



- Technical expert assessment required to identify and validate areas of opportunity

Implementation Costs & Timing



- Text
 - Text
- Text
 - Text

Expert Resources



- XponentialWorks

Impact Ranges



To be determined by specific initiative

Section 4 | Portfolio Optimization and M&A



4 OGC Operations Playbook: Portfolio Optimization and M&A

Divestment of non-core activities

Standard Workstreams



- **Identification of non-core activities:** Identify non-core activities (lower strategic for top or bottom line growth, low level synergies with group)
- **Analyze carve out complexity:** Depending on the level of integration evaluate the carve out complexity (time, one off cost, dis-synergies for the group)
- **Evaluate market interest:** liaise with OGC BD and investment banker community to sense potential market interest for the activity prior to launching a process
- **Identify and incentivize key employees:** Prior to the process launch and carve out initiation, identify key employees in the activity to be sold (typically middle management) and include them in the circle of knowledgeable persons, prepare them to present the activity to investors, special incentive setting on maximizing equity with the divestment process
- **Launch M&A process and carve out:** engage OGC M&A and investment banker to drive the sales process; steer carve out with group management

Opportunity Indicators – When is this used?



- **Companies with variety of activities/portfolio**

Data & Resources Required



- Dedicated activity P&L, BS and BP
- Clear sub-activity definitions

Implementation Costs & Timing



- 12 months

Expert Resources



- OGC M&A
- Investment bank

Impact Ranges



**To be determined
by specific
situation**

4 OGC Operations Playbook: Portfolio Optimization and M&A

Add-on investment M&A

Standard Workstreams



- **Target identification:** Share target criteria with OGC business development team for target identification
- **Strategic intent:** Evaluate strategic intent of add-on opportunities across value driver axis portfolio complement, customer access & pricing, distribution network, supply chain benefits (sourcing), industrial consolidation, cost of organization savings, best practice sharing & R&D acceleration
- **Matching of strategic intent with investment thesis:** if strategic intent matches hypothesis in the initial investment thesis including price considerations to deliver desired returns engage in M&A process
- **Collaborative M&A approach:** intense interactive collaboration between OGC Ops and M&A teams to pursue add-on investment opportunity
- **Engage management:** platform company management should be closely engaged in strategic intent evaluation, due diligence, business plan development and synergy quantification as well as target management checkup

Opportunity Indicators – When is this used?



- **Platform acquisitions with inorganic growth strategy; depending on add-on target availability**

Data & Resources Required



- Criteria map for target identification
- Strategic plan & platform investment thesis
- Updated BP of platform company

Implementation Costs & Timing



- 6-24 months including target identification until closing of transaction

Expert Resources



- OGC BD team
- OGC M&A team
- Buy side banker
- Platform management team

Impact Ranges



**To be determined
by specific
initiative**

4 OGC Operations Playbook: Portfolio Optimization and M&A

Add-on investment Integration (see also section PMI)

Standard Workstreams



- **Management integration:** as a first step add-on management/CEO needs to get integrated and aligned with group management to push integration efforts
- **Functional mapping:** Prepare map by function to define integration areas and goals, identify an overall integration leader and integration lead per function for clear accountability
- **Integration plan:** develop detailed integration plan with action items per function, financial targets, timelines, responsible individuals
- **Setup PMI office:** depending on the integration complexity setup a post merger integration office to monitor integration progress and target achievement; kick off meeting for execution start
- **Handover:** upon successful integration (as per agreed timeline by function) arrange handover meeting from project organization to line management to ensure sustainable value creation after the integration project phase

Opportunity Indicators – When is this used?



- **Add-on acquisitions or mergers of two portfolio companies**

Data & Resources Required



- Criteria map for target identification
- Strategic plan & platform investment thesis
- Updated BP of platform company

Implementation Costs & Timing



- 3-9 months

Expert Resources



- OGC Ops with portfolio management
- External PMI support depending on complexity

Impact Ranges



Synergy is typically 10-20% of EBITDA

2 OGC Operations Playbook: Portfolio Optimization and M&A

Post merger integration

Standard Workstreams



- **Organizational design:** Design proforma organizational structure
- **Synergy quantification:** Identify areas of synergy including headcount, purchasing, pricing
- **Harmonize sales:** Identify cross sell opportunities, design go forward organization and harmonize compensation plans
- **Integration project management:** Structure and stand up an integration management office to oversee the process management of the integration

Opportunity Indicators – When is this used?



- Post bolt on acquisition

Data & Resources Required



- Employee census
- Purchasing data cube
- Detailed customer and product specifications

Implementation Costs & Timing



- 6-9 months
- ~10k/week

Expert Resources



- Beckway
- Oliver Wyman
- EY-Parthenon
- Roland Berger

Impact Ranges



**Synergy is
typically 10-20%
of EBITDA**

4 OGC Operations Playbook: Portfolio Optimization and M&A

Strategic CAPEX planning

Standard Workstreams



- **Bottom up CAPEX requirements:** as part of the annual budgeting identify all bottom up CAPEX requests
- **CAPEX categorization:** structure CAPEX requests according to function and purpose (e.g. manufacturing, machinery & equipment, health and safety, real estate, R&D etc.) and distinguish between maintenance, efficiency improvements and growth CAPEX
- **CAPEX prioritization:** define required CAPEX needs (e.g. without the spending company does not comply with rules and regulations, risks of business continuity), define financials KPIs (payback period, annual EBITDA improvement, IRR etc.), prepare priority list based on short, mid and long term strategic goals and attractiveness of financial KPIs
- **Validate CAPEX plan:** Steering committee of senior company management validates CAPEX plan and presents it to OGC during budget presentation (annual basis) and 5-years business plan
- **CAPEX monitoring:** Monitor monthly financial performance versus plan and CAPEX spending versus plan; in case of negative deviation from plan, adjust CAPEX spending

Opportunity Indicators – When is this used?



- All companies

Data & Resources Required



- Budget
- CAPEX plan
- Monthly business reviews

Implementation Costs & Timing



- Annual
- Recurring

Expert Resources



- OGC Ops with senior management

Impact Ranges



Increase CAPEX efficiency by 10-20%

Section 5 | Synergies



5 OGC Operations Playbook: Synergies

Commercial Synergies

Standard Workstreams



- **Sales / distribution:** Leverage existing distribution channels and customer relationships in existing and new markets
- **Product development:** Develop products using each company's specialized engineering capabilities, product IP, and/or market knowledge
- **Marketing:** Share resources and knowledge to more efficiently and effectively manage brand identify, advertising / lead generation, website / eCommerce, and other marketing activities

Opportunity Indicators – When is this used?



- **Sales / distribution:** Applicable when combined businesses have complementary distribution channels and/or customer bases
- **Product development:** Applicable when combined businesses have either identical or related product applications and/or engineering requirements
- **Marketing:** Applicable when marketing requirements are similar across combined businesses

Data & Resources Required



- **Sales / distribution:** List of distribution channels and customers by market
- **Product development:** List of products and applications, engineering resources, and IP
- **Marketing:** List of marketing resources, activities, and tools

Expert Resources



- Typically conducted internally
- Resources such as SmartVentures, BeckWay, or Catalant can be used if internal resources are unavailable

Implementation Costs & Timing



- No cost (typically conducted internally)
- 1-2 month diagnostic
- 1-2 month plan development
- 3-6 month plan execution

Impact Ranges



1-5%+ revenue uplift

5 OGC Operations Playbook: Synergies

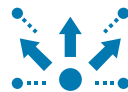
Cost Synergies

Standard Workstreams



- **Headcount reduction:** Remove redundant headcount across combined businesses
- **Non-headcount spend reduction:** Reduce redundant spend, use internal resources to replace external spend, and/or secure better pricing/terms through greater purchasing power
- **Facility consolidation:** Consolidate facilities that can meet local needs across combined businesses (e.g., office, manufacturing, warehousing, sales / retail); please see section “Industrial footprint optimization planning” for additional details

Opportunity Indicators – When is this used?



- **Headcount reduction:** Applicable when combined businesses have duplicative management and/or back office personnel
- **Non-headcount spend reduction:** Applicable when combined businesses have overlapping non-headcount spend items
- **Facility consolidation:** Applicable when combined businesses have facilities in similar geographies or that can meet similar needs

Data & Resources Required



- Employee census for each business
- List of non-headcount spend by category for each business
- List of facilities

Expert Resources



- Typically conducted internally
- Resources such as BeckWay or Catalant can be used if internal resources are unavailable

Implementation Costs & Timing



- No cost (typically conducted internally)
- 1-2 month diagnostic
- 1-3 month plan development
- 3-12 month plan execution

Impact Ranges



**1-5%+ SG&A
reduction**

5 OGC Operations Playbook: Synergies

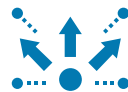
Supply Synergies

Standard Workstreams



- **Supplier / Commodity Analysis**
 - Assess standalone vs. combined volume with existing suppliers / SKUs to identify supplier-SKU combinations which we are purchasing more of. Determine any combinations where we are the plurality / majority customer for additional negotiating power.
 - Identify similar commodities that are split across multiple suppliers that can be consolidated for additional cost savings

Opportunity Indicators – When is this used?



- **Merger / Acquisition:** Additional volume from add-on / merger may result in additional supply side synergies that should be examined
- **Take-Private of 'Family Owned' or not 'PE Optimized' Asset:** Supply side cost levers may not have been aggressively / skillfully pulled

Data & Resources Required



- Spend data at the supplier / SKU (part) level for all assets under consideration
- Interviews with supply chain managers and/or buyers / purchasing managers

Implementation Costs & Timing



- 2-3 week diagnostic; ~70k if external resources are required i.e., for significant supply chain opportunity

Expert Resources



- Group Purchasing Organizations (e.g., CoreTrust, Procurement Advisors) for commodities
- Oliver Wyman, Beckway Group, KPMG for direct materials / complex sourcing

Impact Ranges



5-20%+ Cost Savings (depends on commodity type)

5 OGC Operations Playbook: Synergies

Technology Synergies

Standard Workstreams



- **Code / product synergy**
 - Tech merger - Assess product capabilities and code, typically leveraging third party to review capabilities. Determine opex and hosting costs for SAAS/cloud-based offerings, identify GPO for cloud services or shifting to new platforms
 - Platforms - Review systems and platforms used by each company to determine roadmap and timeline for integration

Opportunity Indicators – When is this used?



- **Merger / Acquisition:** Upon acquisition aggressively target hosting/SAAS costs, and review overlap/features of software products. Review of platforms should be executed upon acquisition, and periodically, ~every 24 months.

Data & Resources Required



- Hosting and opex costs for SAAS products
- Interviews with engineering and development leaders
- Interviews with IT leaders

Implementation Costs & Timing



- Varies depending on complexity of product and company
- \$50k for simple efforts, to \$250k+ for larger

Expert Resources



- Sirius for systems and platforms

Impact Ranges



**Varies on
workstream but
typically 5-10% of
hosting costs**

Section 6 | Revenue Enhancement



6 OGC Operations Playbook: Revenue Enhancement

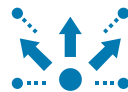
Business & growth strategy

Standard Workstreams



- **Mission / Vision / Values:** Determine “what we want to be” when company reaches mature period
- **Current State / Gap Assessment:** Identify target capabilities needed to achieve vision, and current state gap relative to target
- **Competitor & Market Analysis: Strategic Planning:** Understand external threats and opportunities to achieve vision
- **Strategic Implementation Planning:** Define initiatives necessary to achieve vision considering current state / external environment

Opportunity Indicators – When is this used?



- New major acquisition
- Carve-out
- Significant time period since last strategy session

Data & Resources Required



- Market & competitive analysis
- Current state assessment

Implementation Costs & Timing



- One-time Costs
 - <\$100k
- Implementation Timing
 - 1 month (including prep work and 2-3 working session)

Expert Resources



- OGC independent expert network can be leveraged for each of the workstreams (e.g., Steve Long)

Impact Ranges



Enabler

6 OGC Operations Playbook: Revenue Enhancement

Sales & marketing effectiveness

Standard Workstreams



- **Sales Strategy:** Determine which customers, products and sales channels
- **Sales Execution:** Structure and roles, coverage, management and coaching, sales process, channel partner management, supporting tools
- **Sales Enablers:** Metrics, performance management, compensation / incentives, capabilities

Opportunity Indicators – When is this used?



- **New acquisitions:** Company going through addition of new markets / sales personnel due to acquisition should refresh sales
- **Carve-out:** Applicable when sales function has been underinvested / undermanaged
- **New sales leadership:** Support new leader with refreshing sales strategy

Data & Resources Required



- Market analytics (# of accounts, size, etc.)
- Sales org chart & compensation model
- Interviews with sales personnel

Implementation Costs & Timing



- One-time Costs
 - \$100-300k consulting fees
- Implementation Timing
 - 3 weeks (diagnostic)
 - 6 weeks (implementation)

Expert Resources



- SmartVentures
- Simon-Kucher

Impact Ranges



**~5%+ Gross
Margin Uplift**

6 OGC Operations Playbook: Revenue Enhancement

Pricing improvement

Standard Workstreams



- **Pricing Strategy:** Analyze / diagnose current pricing & promotions methodology, propose improved methodologies, etc.
- **Pricing Governance:** Driving pricing approval / authority, compliance with price methodology, pricing organization roles & responsibilities
- **Pricing Execution:** Pricing tools / business intelligence to support ongoing price management

Opportunity Indicators – When is this used?



- **Margin erosion:** Continuous margin erosion may indicate opportunity for price increase
- **Significant time since last price increase**
- **New acquisition**
- **Cost based pricing system with limited analytics**

Data & Resources Required



- Multi-year transactional data
- Pricing organization

Implementation Costs & Timing



- One-time Costs
 - \$100k consulting fees
- Implementation Timing
 - 2 weeks (diagnostic)
 - 2-4 weeks (implementation)

Expert Resources



- Steve Long
- Simon-Kucher (Brad Soper)
- SPA
- Beckway Group (multiple resources available)
- Oliver Wyman

Impact Ranges



**~3-10% Gross
Margin Uplift**

6 OGC Operations Playbook: Revenue Enhancement

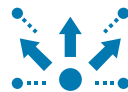
Revenue management

Standard Workstreams



- **Organization**
- **Governance & KPIs**
- **Price management**

Opportunity Indicators – When is this used?



- Typically employed in a B2C environment where capacity is limited and can expire
- **Executed as a follow-on to pricing**

Data & Resources Required



- Multi-year transactional data
- Pricing organization

Implementation Costs & Timing



- One-time Costs
 - \$500k consulting fees
- Implementation Timing
 - 2 weeks (diagnostic)
 - 8+ weeks (implementation)

Expert Resources



- Simon-Kucher (Brad Soper)
- Oliver Wyman

Impact Ranges



**~1-5% Gross
Margin Uplift**

Section 7 | Operational Improvements



7 OGC Operations Playbook: Operational Improvements Inventory

Standard Workstreams



- **Formal Cycle Count Process:** Strategy / Frequency / Accuracy
- **Physical Inventory:** Review/Update standard SOP / Prep & Conduct
- **Inventory Stratification:** Data-Driven Cost Modeling based on usage at cost within product hierarchy.
- **Inventory Storage Strategy:** Data-Driven velocity analysis – By warehouse & item - Picks / Put away / Mins-Max Qty / Cube

Opportunity Indicators – When is this used?



- **Acquisitions/Product Line Introductions/Demand Shifts/Limited Vendors**
- **Internal Operational Indicators:**
 - **Inventory** – Increased inventory value adjustments
 - **Significant time since last Physical Inventory**
 - **Order Fulfilment** – Reduced On time / In Full Customer Shipments
 - **Material Spend** - Increased purchases / expedite fees

Data & Resources Required



- 1-year monthly usage by item
- Monthly Cycle Count Accuracy
- Inventory Turns / Aging Report
- WMS Software
- Inventory Parameters:
 - Required inventory levels
 - On hand Inventory Quantity / Cost
 - Warehouse Bin Alignments / SOP

Expert Resources



- Beckway Group
 - Patricia Jordan
 - Dan Desmond

Implementation Costs & Timing



- One-time Costs
 - \$125k consulting fees
 - \$10k PI Expenses
 - Inventory Carrying Cost Adjustments
- Implementation Timing
 - 4 weeks (PI Prep & PI)
 - 2 weeks (data modeling / process)
 - 5 weeks (Cycle Count / Storage Process)
 - 1 week (validation audit)

Impact Ranges



- **Gross Operation Profits**
- **Operational Efficiency Gains**

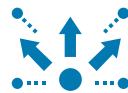
7 OGC Operations Playbook: Operational Improvements Scheduling

Standard Workstreams



- **Production Scheduling Techniques:** Algorithmic Methods Analysis
- **Data-Driven Cost Modeling:** Data-driven analysis / Cycle Time / Capacity / Data Integrity
- **SIOP:** Formal collaboration with Sales/Inventory/Production/Shipping to maximize revenue opportunities
- **Equipment Utilization:** Enterprise productive capacity / strategy
- **Strategic Materials Sourcing:** Raw Material / Supply Chain process

Opportunity Indicators – When is this used?



- **Acquisitions/Product Line Introductions/Demand Shifts/Limited Capacity**
- **Internal Operational Indicators:**
 - OEE – Reduced KPI
 - **Order Fulfilment** – Reduced On time / In Full Customer Shipments
 - **Planned Orders vs. Completed Orders**
 - OTD%

Data & Resources Required



- Demonstrated / Max Capacity
- Production Schedule Adherence
- Current Takt Time / Cycle Time
- Routings / BOM's / EOQ's
- ERP / MPS / MRP Software

Expert Resources



- Randy Aardema (OGC Senior Advisor)
- Beckway Group
 - Patricia Jordan
 - Dan Desmond
 - Chris Nichols

Implementation Costs & Timing



- One-time Costs
 - \$100k consulting fees
 - Software licenses
- Implementation Timing
 - 4 weeks (diagnostic)
 - 6 weeks (implementation)
 - 2 weeks (audit)

Impact Ranges



- **Gross Operation Profits**
- **Operational Efficiency Gains**

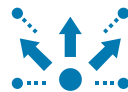
7 OGC Operations Playbook: Operational Improvements Quality

Standard Workstreams



- **Utilize / Develop Data Collection Strategy:** Use existing data streams and supplement if needed to prioritize high-impact opportunities
- **Targeted Problem Solving:** Data-driven / methodical approach with cross-functional support to identify & eliminate defect root causes
- **In-process Control:** Develop methods to prevent and identify defects as soon as possible to minimize cost of quality
- **Scrap Reduction:** Strategy to measure true cost of scrap and leverage problem solving, process control & CI to drive down costs

Opportunity Indicators – When is this used?



- **Customer claims / warranty costs:** Replacing defective units to customers, damage to reputation / future sales losses
- **Scrap costs:** Greater than 0.5% (of direct material cost). Benchmark 0.1% (process scrap, in metal fabrication)
- **Internal cost of quality:** First time quality, cost of end-of-line repair and rework; >10% of labor cost in inspect / repair function is high
- **Inhibiting throughput:** Non-robust processes result in consistent “finessing” to yield satisfactory quality

Data & Resources Required



- Warranty / Claims data
- Internal Quality metrics (DpK, CoQ, etc.)
- Product Quality standards & inspection processes
- Scrap detail (split by engineered / process, cause)

Expert Resources



- Rick Melito (Olmstead Results)

Implementation Costs & Timing



- One-time Costs
 - \$250k consulting fees
- Implementation Timing
 - 2 weeks (diagnostic)
 - 12 weeks (implementation – varies based on size / severity)

Impact Ranges



~1 – 2% Gross Profit Uplift



7 OGC Operations Playbook: Operational Improvements

Procurement / Strategic Sourcing

Standard Workstreams



- **Strategic Direct (Materials) & Indirect (Services) Sourcing:** Key Supplier program, Cost Productivity strategy, supplier negotiation, dual sourcing, collaborative R&D, stocking programs, consignment or vendor-managed inventory
- **Supplier Scorecard:** Productivity %, OTD %, Quality, DPO, other
- **Data-Driven Cost Modeling:** Data-driven negotiations / vendor playbooks using statistics, should-costing, etc.

Opportunity Indicators – When is this used?



- **Highly fragmented supplier base** – potentially due to multiple acquisitions
- **Significant time since last sourcing event**
- **New, increased materials spend** e.g., add-on acquisition, significant growth, etc.
- **Poor supplier quality**
- **Single-source risk**
- **No supplier scorecard**

Data & Resources Required



- 3-year spend data by item / vendor / part category
- Supplier scorecards
- Supply agreements
- Commodity price indices
- Cost model(s)

Expert Resources



- Curt Underwood (Oliver Wyman)
- Will Walsh (KPMG)

Implementation Costs & Timing



- One-time Costs
 - \$75-100k consulting fees
- Implementation Timing
 - 1-2 weeks (diagnostic / diligence)
 - 6-12 months (implementation)

Impact Ranges



**~2-3% per annum
in Materials COGS**

7 OGC Operations Playbook: Operational Improvements

Continuous Improvement / Lean

Standard Workstreams



- Daily Stand-Up Meetings
- GEMBA Walks
- Continuous Improvement Program & Ownership
- Kaizen Training & Events
- Defining Standard Work

Opportunity Indicators – When is this used?



- **Proliferation of waste** – transportation, inventory, motion, waiting, overprocessing, overproduction, and defects
- **Absence of productivity lift (labor and/or cost) in recent years**
- **Lack of documented process capabilities** – value streams, time studies, standard operating procedures, etc.
- **No on-premise expertise** (i.e. Lean, Six Sigma certified)

Data & Resources Required



- Production Data
- Standard work documents
- Value Stream maps

Expert Resources



- Randy Aardema (OGC Senior Advisor)
- Chris Nichols (Beckway)
- Aaron Olmstead (Olmstead Results)
- Shawn Roche (Connors Group)

Implementation Costs & Timing



- One-time Costs
 - \$250k consulting fees (depending on current level of Lean implementation)
- Implementation Timing
 - 2 months (data mining & gather)
 - 8-12 months (implementation)

Impact Ranges



**2-5% Gross
Margin Uplift**

7 OGC Operations Playbook: Operational Improvements

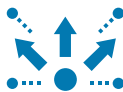
KPIs / Performance Monitoring

Standard Workstreams



- **KPI Creation** – By region, by facility, by function
- **Source Data integrity**
- **Friendly and accessible dashboard or interface** – cloud-based with automated ETL data pull preferable
- **Staff or Department Meetings** – KPI reviews

Opportunity Indicators – When is this used?



- **Current KPIs not resulting in financial success or incremental improvement**
- **Performance monitoring less than adequate**
- **Arbitrary target setting**
- **Ambiguity in departmental goals**

Data & Resources Required



- KPI Scorecard(s)
- Production & Performance data

Implementation Costs & Timing



- **One-time Costs**
 - \$100k - \$200k consulting fees
- **Implementation Timing**
 - 8-12 weeks (data gather & dashboard creation)

Expert Resources



- Randy Aardema (Senior Advisor)
- Chris Nichols (Beckway)

Impact Ranges



Enabler

7 OGC Operations Playbook: Operational Improvements

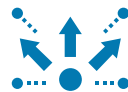
Manufacturing Productivity

Standard Workstreams



- **Value Stream Mapping:** Understanding the manufacturing processes for key product lines
- **Lean Maturity Audit:** Utilize a Lean Maturity Audit to identify and prioritize improvement activities
- **Kaizen Improvement Activities:** Utilize fast paced Kaizen events to implement the prioritized Lean projects
- **Lean Six Sigma Training:** Provide the workforce with problem solving tools and encourage active involvement

Opportunity Indicators – When is this used?



- **Lean Six Sigma Tools:** Used when company performance including operating profit, customer service levels, inventory turns, product quality and other company KPI's are below desired levels

Data & Resources Required



- War Room to layout Value Stream Map
- Lean Maturity Playbook
- Trained Kaizen facilitators
- Training facilities

Implementation Costs & Timing



- One-time Costs
 - \$100k consulting fees
- Implementation Timing
 - 3 weeks (diagnostic)
 - 12-26 weeks (implementation)

Expert Resources



- Aarwood Group
- Beckway Group
- University of Wisconsin

Impact Ranges



~1-5% Operating Profit Uplift

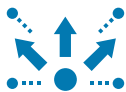
7 OGC Operations Playbook: Operational Improvements Safety

Standard Workstreams



- **OSHA Compliance:** OSHA Logs, First Aid Logs, Forklift Training, Etc.
- **Associate Training:** First Aid, CPR, AED & BBP, Small Power Tool, Fall Protection, OSHA 10
- **Machine Guards**
- **Fire Suppression Reviews, Fire and Inclement Weather Drills**

Opportunity Indicators – When is this used?



- **Lack of Safety Metrics/Visuals**
- **Lack of Safety Manager / Official Safety Program**
- **Poor 5S**
- **Above Industry Average TRIR**
- **No Tracking of Safety / Forklift Certifications**
- **OSAH 300A Logs delinquency**

Data & Resources Required



- TRIR Score
- EMR Rating
- Injury Pareto / Heat Map
- Near Miss Pareto / Heat Map

Expert Resources



- Chris Nichols (Beckway)

Implementation Costs & Timing



- Ongoing Support
– \$40K Per Month

Impact Ranges



Reduction in Worker Compensation Insurance Cost (EMR) & Worker Compensation Claims

Section 8 | Financing



8 OGC Operations Playbook: Financing

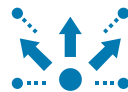
Implement new financing post closing

Standard Workstreams



- **Handover M&A to Ops/CFO:** mostly long term financing is implemented upon closing, however the financing maintenance needs to be covered by the company and OGC Ops, organize handover meeting (financing documentation, clarification of main terms, repayment schedule, interest payments, reporting and covenants, introduction to external financing provider)
- **Short term financing:** Short term financing solutions are typically implemented post closing and are operationally more complex (e.g. factoring), setup follow up team between OGC Ops and company (CFO, treasurer, CEO)
- **Implementation and monitoring:** Company is in the driver seat but needs to get regularly monitored to ensure a timely and smooth implementation, OGC Ops functions center point between financing provider and company
- **Liquidity management:** Setup a proper liquidity reporting (actual and forecast) incorporating the financing sources, alert on liquidity shortfalls
- **Working Capital management:** Steer efficient WC management as additional source of financing

Opportunity Indicators – When is this used?



- All companies

Data & Resources Required



- Balance Sheet
- Working Capital details (inventory and AR)
- Current financing terms

Implementation Costs & Timing



- 1-2 months

Expert Resources



- Duval (factoring Europe)
- Factor
- Lincoln
- Pareto (Nordic bonds)
- Lending and banking community
- Liaise with OGC M&A

Impact Ranges



Company specific

8 OGC Operations Playbook: Financing

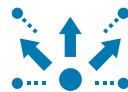
Covenant compliance

Standard Workstreams



- **Implement periodic covenant reporting:** Derived from covenant requirements (definitions, reporting cycles, level of depth) develop a periodic covenant reporting
- **Covenant testing:** Supervise management in the period covenant testing, based on business forecast simulate future period tests
- **Relationship management:** Ensure regular three-way communication (financing provider, company, OGC) to ensure a smooth relationship throughout the holding period
- **Pro active communication:** In case of non-compliance alerts (see covenant testing), develop communication strategy with lender and a potential refinancing/waiver

Opportunity Indicators – When is this used?



- **All companies**

Data & Resources Required



- Financing documents and structure
- Covenant details

Implementation Costs & Timing



- 1 months

Expert Resources



- CFO & Treasurer
- Third party financing provider
- Legal advisor

Impact Ranges



Company specific

8 OGC Operations Playbook: Financing

Maximize financing capacity & align with business needs

Standard Workstreams

- **Analyze financing tools in use:** Identify with company CFO additional financing opportunities for the short, mid and long-term financing needs of the activity
- **Short term financing:** Asset Based Lending (Receivables and Inventory, annual recurring revenue base for software), factoring, reverse factoring, RCF
- **Mid term financing:** CAPEX financing
- **Long term:** Term loan, Mezzanine, issuance of private or public bonds

Opportunity Indicators – When is this used?

- All companies

Data & Resources Required

- Business and liquidity plan
- Balance Sheet
- Working Capital details (Inventory and AR)
- Current financing terms

Expert Resources

- Duval (factoring Europe)
- Factor
- Lincoln
- Pareto (Nordic bonds)
- Lending and banking community
- Liaise with OGC M&A

Implementation Costs & Timing

- 1-6 months

Impact Ranges

Company specific

8 OGC Operations Playbook: Financing

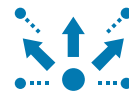
Optimize financing cost/structure (dividend recap/refinancing)

Standard Workstreams



- **Margin Optimization:** seek reduction of interest rates to lower interest burden on Company's liquidity following integration and value creation efforts
- **Covenants Flexibility:** provides for a less strict set of compliance tests for the business, also giving more freedom for management decisions
- **Repayment Schedule:** review of payment schedule to lower debt service burden or to accelerate amortization depending on the liquidity of the business
- **Dividend Distribution:** increases investment IRR and enables the upstream of funds to investors

Opportunity Indicators – When is this used?



- All companies that carry debt and most likely once business performance has been stabilized/turned around (18-24 months after acquisition)

Data & Resources Required



- Business and Liquidity plan
- Debt Structure
- Current Financing Terms
- Covenants Definitions

Implementation Costs & Timing



- 1-6 months

Expert Resources



- Lincoln
- Pareto (Nordic bonds)
- Lending and banking community
- Liaise with OGC M&A

Impact Ranges



Company specific

Section 9 | HR & Management change



9 OGC Operations Playbook: HR & Management Change

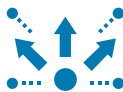
HR Performance Management

Standard Workstreams



- **Diagnostic:** Assess merits of current (if any) performance management system
- **Design:** Leverage best practices / industry standards (e.g., SMART goals) to select performance management system in-line in needs of the organization
- **Implementation:** Roll-out selected HR performance management system

Opportunity Indicators – When is this used?



- **Carve-out:** Legacy HR performance management system in place that is not being transitioned

Data & Resources Required



- Employee Census Data

Implementation Costs & Timing



- 2-3 weeks; <\$50k for design; additional fees may be incurred for licensing / software for larger headcount organizations

Expert Resources



- Joel Tokarz
- Beckway Group

Impact Ranges



Enabler

9

OGC Operations Playbook: Management Change

Executive Leadership Coaching

Standard Workstreams



- **CEO leadership coaching:** Cultivating the ability to lead a cross-functional team while managing business transformation and value creation
- **Management leadership training:** Developing skills around effective management of functional resources and value creation initiatives

Opportunity Indicators – When is this used?



- **CEO leadership coaching:** Most relevant for first-time and other less experienced CEOs
- **Management leadership training:** Most relevant for management in turnaround and other operationally-intensive business situations

Data & Resources Required



- n/a

Implementation Costs & Timing



- **CEO leadership coaching:** \$10-30K
- **Management leadership training (LinkedIn Learning):** \$30/month/user

Expert Resources



- **CEO leadership coaching:** General Casey, ghSMART
- **Management leadership training:** LinkedIn Learning

Impact Ranges



n/a

9 OGC Operations Playbook: Management Change

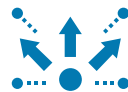
Technical services optimization

Standard Workstreams



- **Human capital optimization of technical consulting:** Optimize technical services organizations in technical companies (e.g. professional services, managed services)
- **Optimization of presales / Sales in tech:** Optimize sales coverage and models between sales and presales in technical assets
- **Service price/contract structuring:** Ensure service pricing is benchmarked to COLA and payroll increases

Opportunity Indicators – When is this used?



- **Acquisition:** Post acquisition of a tech asset with a professional or managed services revenue streams

Data & Resources Required



- Weekly time sheets for all field-based resources (e.g. pre sales, professional services, managed services) to identify total billed hours weekly, and map of non billable codes
- Organizational chart showing ratio between pre/sales in each “patch”

Expert Resources



- **Optimization of technical resources:** OGC Ops, Wise Strategies
- **Sales optimization:** Mike Greaney

Implementation Costs & Timing



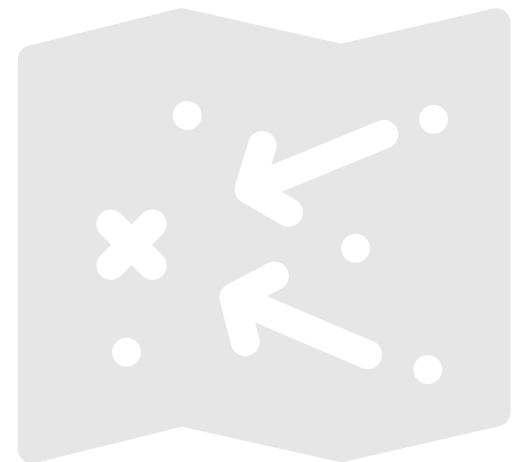
- **\$100k+ 1-6 months including project management**

Impact Ranges



**5-10% OPEX
reduction of
technical
resources**

Section 10 | Strategic enablers



OGC Operations Playbook: Strategic Enablers

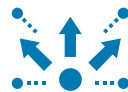
Data, Analytics and Workbench integration

Standard Workstreams



- **Collection and ETL:** Connect company platforms (e.g. ERP, CRM) directly to the OGC databases providing recurring automatic feeds
- **Commercial business intelligence:** Develop commercial and operational dashboards, business intelligence and decision support tools to be used by managers and executives
- **Advanced Analytics/AI:** Create predictive algorithms to optimize key business functions (e.g. demand, scheduling)

Opportunity Indicators – When is this used?



- **Post close:** Post close integration into the workbench
- **Commercial:** Drive efficiency gains in commercial organizations to better identify areas of performance and focus
- **Efficiency/Cost:** Optimize internal business functions and capability through better visibility into core processes and drivers

Data & Resources Required



- Flat transaction file
- Shipping flat file
- Purchasing data cube
- Production data

Implementation Costs & Timing



- \$150k to establish ongoing data variability (3-8 weeks)
- Targeted business improvement analytics 1-3 months (\$30-

Expert Resources



- Sirius Computer Solutions
- Steve Long Consulting
- Oliver Wyman

Impact Ranges



**Enabler of
improvement
initiatives and
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intelligence**



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