

private equity

ALEXANDER PROUDFOOT
people • productivity • profitability

VALUE CREATION

Enhancing value in your investments – practical help to increase cash flow through productivity improvements



WHAT WE DO

We work with your management teams and in six to nine months deliver tangible improvement to the bottom line.

Our performance improvement and revenue growth projects will be cash neutral over, typically, a twelve month period and our experience shows we deliver annualized returns of two to three times our fees.

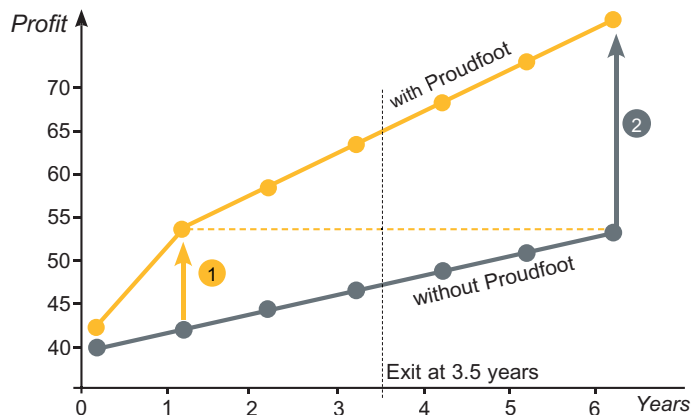
Assuming an exit at 8 x EBIT this would represent a return on investment of 16 to 24 times.

The rest of this booklet explains how we do this.

HOW DO WE DO THAT?

We actively implement sustainable operational improvements to drive profitability and growth. This can impact the 'top line' through revenue growth and/or impact the 'bottom line' with reduced operational costs. We work with clients – side by side – to ensure financial benefits are realized and new operating systems, processes, and culture embedded by our proprietary People Solutions methodology.

- 1 Proudfoot short-term project impact
- 2 Long-term benefits



WHY PROUDFOOT

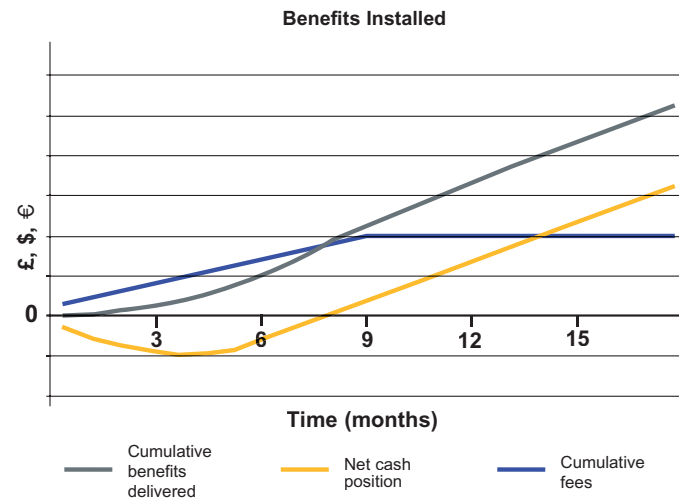
Operational improvement is a key way of extracting value from an investment and increasing cash flow. This is the core expertise of Alexander Proudfoot.

We are a specialist firm of operational improvement experts. Founded in 1946 by Alexander Proudfoot, we offer a service different to that of other consultancies – one that focuses on operational excellence and the delivery of measurable and sustainable performance improvements.

THE CURRENT ENVIRONMENT

Today's private equity market is an environment that presents unique challenges and opportunities, where competition for investment opportunities is fiercer than ever before.

Adding significant value and revenue growth to investments through improved business performance is a powerful tool for creating success in this sector.



With only a short period in which to make a significant difference in optimizing business performance, expediting change is imperative to take an investment to a higher performing level. A Proudfoot engagement will normally be cash neutral within the time frame of the project.

Proudfoot can provide assistance throughout the life of your investment – from the pre-exclusivity bid stage for a new investment through to the preparatory stage for a profitable exit. We appoint one dedicated point-of-contact to streamline communication and ensure that your needs are met at every step of the way.

Proudfoot assists in creating sustainable increased profitability, enhanced cash flow and operational improvements. Improvements are gained through:

- revenue growth
- reduced operational costs
- reducing working capital
- increased productivity
- reduced overhead costs
- capital expenditure reduction

Three core areas of our methodology are:

- process improvement
- installation of the project on site
- behavioral change.

HOW WE DELIVER

Our client engagements vary in terms of the starting point. Some require assistance to ascertain the return on investment at either a pre-exclusivity or exclusivity stage during a bidding process. Some require added operational capability and accelerated value enhancement from existing investments in preparation for a profitable exit. This is where our major value-add becomes apparent – we drive profit improvement for you.

Proudfoot's core skill lies in helping management execute operational improvements quickly and embedding those improvements deep in the business.

Phases Your challenges

Phases	Your challenges
Pre-Acquisition	What are we buying? Where is it going? How is it going to get there?
Post-Acquisition	Delivering the value Proudfoot Expertise <ul style="list-style-type: none">• The 100 day plan• The 9 month plan• Executing against the plan• Driving long term EBITDA growth• Preparing for exit

WHAT WE DELIVER

While our core skill lies in implementing operational improvements in your business, we can also provide you with insight on operational matters pre-acquisition by drawing on our history of delivering profit improvements for our clients.

Pre-acquisition services are provided to relationship houses.

Post-acquisition services can either be provided on a relationship or transactional basis.

"They focus on delivering tangible measurable financial results"



PRE-ACQUISITION

Operational Appraisal

Our objective

Identify investment return opportunities through understanding the operational issues and areas of improvement.

What we do

A three day review of the investment site, management interviews and access to data room. If it is a pre-exclusivity situation, a highly structured site visit is conducted with access to company people agreed by and under the supervision of the selling advisor. In an exclusivity situation, the review is more comprehensive with additional activities that can be performed.

How we do it

Examples of methodology include:

- conducting interviews
- performing observational studies
- operational financial analysis

POST-ACQUISITION

Definition Phase

Our objective

Confirm operational improvement opportunities. Define scope and design of project to deliver tangible and measurable results.

What we do

A two week scoping exercise to further detail the benefits identified during the Operational Appraisal and then continue with the project. Alternatively for existing investments a detailed review will take place before project commencement. A "deliverables and measurement schedule" is built as a framework for the solutions that will be implemented during the Delivery. We deploy a team of operational and financial analysts.

How we do it

Key activities include:

- spending time on the floor with supervisors
- working with managers to collect and develop key operational statistics and financial data.
- conducting detailed observational studies
- process mapping, interviews etc.



POST-ACQUISITION (CONTINUED)

Delivery

Our objective

Deliver enhanced cash flow, profitability and other identified financial benefits through improved performance.

What we do

Installing capabilities to deliver financial results. The team will implement operational and financial improvements including:

- process redesign and enhancement
- cultural and behavioral alignment
- improved management operating systems

How we do it

We develop process improvement programs using an extensive suite of proprietary techniques. We then undertake a rigorous installation process to realize the identified benefits.



OUR EXPERIENCE

Since 1964 Proudfoot has completed projects across all industry sectors, developing the knowledge and expertise required to maximize value and deliver the transformation of your business or investment.

Industries

Automotive
 Chemicals
 Construction
 Distribution
 Electronics
 Financial Services
 Food and Beverage
 Government
 Healthcare
 Manufacturing
 Mining and Metals
 Oil and Gas
 Paper and Natural Resources
 Pharmaceuticals
 Retail
 Services
 Telecommunications
 Transportation
 Utilities
 Waste management

Services

Asset and Plant Management
 CRM
 Customer Service
 Call Centers
 Distribution
 Energy and Power Management
 Engineering
 Finance Function Efficiency
 Logistics and Warehousing
 Maintenance
 Operational Improvement
 Organization Effectiveness
 Packaging
 Procurement
 Process Improvement
 Productivity
 Purchasing-procurement
 Quality
 Research and Development
 Supply Chain Management
 Sales Effectiveness

Alexander Proudfoot has served leading Private Equity firms:

- Avista
- Advent
- Bain Capital
- Odyssey
- Invista
- Cerberus
- Candover
- JP Morgan
- 3i
- Tontine Associates

PROJECT REPORTS

Improving Cash Flow in Preparation for Selling a Manufacturing Business

A global private equity firm engaged Alexander Proudfoot to assist with improving the bottom line performance of one of its France-based manufacturing investments with a view to selling the company within a 12 month period.

Identifying significant labor inefficiencies, Proudfoot implemented a rigorous continuous process improvement and active supervision program. A master schedule for production of the company's most inefficient plants was also introduced along with a more suitable management operating system.

Success

Delivered a 3:1 return on investment; increased labour productivity by 25% and reduced purchasing costs by 6%.



Bringing an Oil Company to Profitability

A private equity firm, concerned about a loss of market share of one of its key investments in the oil industry, engaged Alexander Proudfoot to turn around the business and maximize cash extracted from the company's inventory.

Identifying a poor management operating system and a lack of company alignment, Proudfoot installed an efficient, uniform management operating system structure and helped facilitate cultural change to create a focused and unified management team.

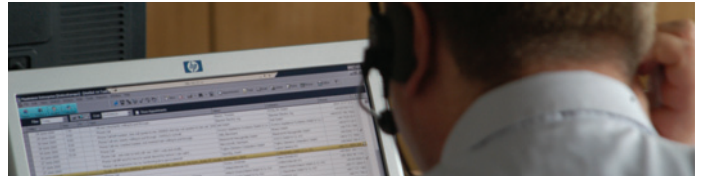
Success

Delivered a 2.9 return on investment – US\$12m benefits over two projects. This included reducing head count by 36% and reducing overtime which resulted in US\$2.5 million annualized savings. The track record of successful change implementation was used by the company to justify profit increases from future operational improvements included in forecasts in recent valuation exercises.



ENGAGEMENT SNAPSHOTS

- An insurance company halved its new product development cycle by installing more timely and frequent launches of targeted products resulting in a sales increase of over US\$15 million within nine months.
- Over the last five years working with a global telecommunications manufacturer on manufacturing, logistics, product development and revenue enhancement, we delivered over US\$157 million of profit improvements.



- A worldwide flooring and kitchen manufacturer had successfully increased its sales but needed a better management system to deliver its products to fulfill the orders. The new process and procedures delivered a profit improvement of over US\$13 million annually.
- For 10 years, we have worked with one of the world's largest mining companies to increase production at different sites against a background of volatile mineral prices. We have achieved over £78 million in profit growth, and in one case extended the life of a mine by ten years.
- A leading business service provider, focused on outsourcing and marketing services, reduced costs by £2 million while improving relationships with key clients by installing relevant and efficient KPIs and a focused management operating system.
- Call center employees at a global 100 telecommunications company only spent 25% of their time selling with the balance spent on onerous administration. By streamlining administration and improving the handling rates, sales increased by £2.8 million within 3 months. In addition, annual cost savings of £1 million and improved customer service were achieved.
- Partnering with a car component manufacturer, we improved the supply chain efficiency and procurement practices resulting in benefits of US\$3.3 million.



- Working in a unionized environment, we increased productivity in operations, streamlined an organizational structure and optimized the purchasing system, reducing costs by 27% and saving €5.8 million.