

Private Equity

Breaking through the barriers to better multiples and improved exit quality, faster.



A New Pathway: From Deal Mode to Re-Engineering Operations and the Supply Chain

Maine Pointe drives
profitable business
transformation through

- Operations Excellence
- Strategic Procurement
- Logistics

...and uniquely integrated
approaches to Sustainability
and Organizational
Improvement.



In one long-time relationship with a leading PE firm, Maine Pointe has produced an ROI of 28:1 across their portfolio companies. That success has amounted to \$57 million in EBITDA improvements to date and total portfolio-wide value creation in excess of \$345 million.

Private Equity firms have always been uniquely positioned to look at what new strategic directions are appropriate for the companies they acquire. They are particularly skilled at applying financial capabilities and strategic horsepower to the art of driving revenue.

However, that position is often one with a 50,000 foot view that historically has relied on strategy, pricing, branding, and marketing to generate revenue while leaving operations and the supply chain to reduce costs.

Just as often, firms have been fooled into believing that improving asset performance simply requires replacing company leadership with executives who offer “deep industry expertise”. The dilemma is, new personnel necessarily become focused on solving day-to-day issues and can quickly be distracted from addressing root causes. It’s not a capability issue but a capacity and perspective limitation.

Furthermore, since the great 2008 recession, the era of financial ‘engineering’ has run its course. High valuations and market conditions have conspired to make it increasingly difficult to simply invest in add-on acquisitions and then exit with significant gains in multiples. Now limited partners not only expect, but demand, significant operational changes in portfolio companies in order to create and sustain increased levels of value.

In an environment of perpetual, accelerating change, PE firms and their portfolio company leaders are challenged to think and act differently. Lasting value now must be created through a change in the way they do business. Achieving transformation within each company starts with end-to-end visibility of the supply chain from the ground up. Improving operations in the immediate term will significantly impact a company’s profitability equation and service to the customer – shifting the competitive advantage by breaking through the barriers to revenue growth quicker.

As a result, portfolio company leaders become better able to calculate and build capacity for meeting true real-time demand. They’ll no longer be held hostage to reactionary or impulsive responses to expectations that are not validated.

Don't Be Fooled into Going it Alone

Everyone acknowledges that the rules of arbitrage have changed dramatically. Portfolio leaders need a legitimate plan to drive revenue and lower costs simultaneously so that profitability may grow on a percentage basis within the ownership timeframe required for a value-enhanced exit.

Achieving supply chain optimization will require greater utilization of e-procurement technologies, lean manufacturing, outsourcing non-core activities, reducing cash-to-cash cycles and minimizing material inventories. By focusing on the full range of operational improvements – including enhanced sales and operations planning, distribution and delivery – companies can significantly lower costs while converting their supply chain into a differentiated driver of perpetual growth.

Most private equity professionals tend to underestimate the importance of practical, on-the-ground supply chain experience to deliver results quickly. Firms tend to go it alone but if they do hire a consultant they retain one with single, or the same, industry experience. Trouble is, those options are what everyone else does and the result is more of the same.

If you want to effectively differentiate your assets to achieve the right outcomes, you need a combination of PE firm leadership, portfolio company management, and a multi-industry external resource. Engaging a resource with cross-modal logistics expertise, frontline operations implementation, and multi-industry insights on global procurement practices can be a game-changing tactic. Collaborating with such a resource can put the best 'feet on the ground' to achieve bottom-line results more quickly than an internal team can on its own.





The Difference We Make

Maine Pointe works with PE firms and their portfolio companies to dramatically compress the cycle to greater profitability and cash flow, improved multiples, and better exit quality – with less upfront investment in time and resources.

We help PE leaders confidently transition from the traditional 'deal' mode to a focus on re-engineering operations and the supply chain. Our approach breaks through certain barriers to revenue growth to impact the value extracted by rounding out the capabilities required in improving how portfolio companies actually operate on the ground.

Our Procurement specialists reorientate personnel from a Total Cost of Ownership (TCO) model to the next-generation Total Value Optimization (TVO) framework.

Maine Pointe teams have a consistent track record for delivering PE firms an average of between six to twelve times ROI across their portfolio, with a guaranteed 2:1 ROI based on annualized savings, and creating new value of between 30:1 and 60:1.

Regardless of the industries in which portfolio companies operate, responsible business practices require attentiveness to 'license to operate', regulatory compliance, and risk management concerns. Maine Pointe integrates a bottom-line approach to Sustainability to strengthen the sourcing, logistics, and operating standards across the value chain of all assets.

Maine Pointe can also strengthen a PE firm's position with its limited partners. By configuring ourselves as quasi operating partners to more quickly optimize investment outcomes, we change the time value of money equation that helps future fundraising. The earlier we're engaged, the sooner improvements materialize that will produce higher EBITDA, accelerate the exit strategy, and drive returns.



Call Center Effectiveness: Driving Operational Improvements

There is more pressure than ever for portfolio company leaders to reach performance goals with limited resources. Call Centers provide vital front- and back-end functions where certain pipeline development techniques and perpetual customer fulfillment are critical differentials. A fully-optimized Call Center can be a critical variable in accelerating achievement of better multiples and more competitive exit quality.

Maine Pointe Call Center solutions deliver measureable enhancements to business processes and productivity – effectively mitigating the range of operational risks that negatively impact achieving continuous customer satisfaction.

Some of our Private Equity engagement successes include:

- Produced more than \$4 million in annualized savings and identified an additional \$4 million for product trials and evaluation – resulting in a 4:1 ROI for a portfolio company in the specialty coating and laminating industry. The company's fragmented procurement system focused on tactical and transactional purchasing activities. The Maine Pointe team conducted a detailed analysis and categorization of a \$116 million spend across 10 major commodity categories. We transitioned the company to a centralized purchasing department and developed a scalable strategic sourcing PMOS (Purchasing Management Operating System).

Our Call Center optimization emphasizes:

- Analysis of the Existing Cost Management Model
- Rapid Discovery and Mitigation of Problem Areas
- Processes for Immediate-Term Productivity Enhancement
- Collaborative Training to Ensure Differentiated Value Delivery
- Integration of Best Practices for More Consistent Fulfillment and Satisfaction

- Successfully transformed a portfolio company procurement organization from a transactional to strategic orientation – achieving annualized savings in excess of \$10 million and identifying an additional \$2 million of savings for a greater than 3.8:1 ROI. The company produces integrated systems and custom-made boilers used in heating and manufacturing applications. Multiple mergers and acquisitions left the client with six regionalized, independent procurement units. It also lacked strategic procurement initiatives, goals, and metrics – and suffered from poor product coding and commodity categorization. The Maine Pointe team implemented a center-led procurement organization, reporting directly to the CEO. We trained 'Commodity Managers' to drive the sourcing process; categorized a catalogue of over 100,000 SKUs; rationalized the supply base by over 60%; developed a framework and service level agreements for all suppliers; established cross-functional commodity teams, supported by training and tools; and implemented new procurement metrics and a review process.

Our Value-Driven Approach

Maine Pointe typically engages to work throughout the ownership period – from the initial 100-180 day plan and up to 6-9 months prior to exit. Our expertise may be applied across a portfolio with multiple assets, within a targeted portfolio company, or as part of the analysis process during due diligence.

By becoming involved at the onset of the asset acquisition cycle, we are better able to optimize operations and supply chain functionality for as much as a 40% injection of near-term cash flow and EBITDA enhancements.

Our Approach Emphasizes:

- **Alignment with client's work flow and organization culture**
- **Integrity-driven assessments**
- **Thorough, rigorous implementation**
- **Transparent and accountable results**
- **Regular progress reports and meetings**
- **A bottom-line commitment to Sustainability**
- **Collaborative knowledge transfer**
- **A focus on the client team**

Such a depth of value creation equips the PE firm leadership with significant liquidity early on, enabling them to release their obligations to various financing covenants and clearing the pathway to the faster acquisition of add-on opportunities. Limited and general partners benefit from more robust investment and fund performance while reducing the average holding period of a company by 1-3 years.

In turn, reducing the holding period improves the ability to outperform the hurdle rate by a minimum of 2-3 times, increasing the likelihood of a greater valuation and payout for investors as well as the general partnership. Exiting with a 3x multiple after only three or four years increases the PE firm IRRs, providing greater leverage for securing preferred terms and attracting the right limited partners going forward.

Implementation

- Identifies and implements operational improvements
- Optimizes the global supply chain via the Total Value Optimization (TVO) model
- Aligns the company leadership and teams with the PE firm's strategic imperatives and transformation agenda
- Delivers substantiated savings, supported by the Maine Pointe guarantee





"We chose Maine Pointe because of their high level of personal attention, depth of experience, and professionalism. The results included strengthening our organization structure with a center-led procurement system. We could never accomplish this type of cultural change without the professional help of Maine Pointe."

Welch Goggins
President and CEO
Cleaver-Brooks, Inc.

Continual Value Enhancement

- Implements new approaches and their attendant methodologies, processes, infrastructure, and behavioral changes
- Perpetuates value creation through cost reduction, revenue enhancement, and productivity gains
- Integrates the Maine Pointe Sustainability framework to substantiate and leverage new sources of value creation

Analysis

- Utilizes interconnected diagnostic approaches to understand the fund strategies and priorities
- Enhances acquisition decisions through the identification of value creation opportunities, organizational and productivity improvements, and guidance on risk areas
- Delivers an objective, action-oriented, and detailed assessment of a current or potential asset – including its functional and departmental processes
- Identifies and quantifies potential bottom line asset improvements, as well as working capital risks and opportunities
- Discerns the appropriate value creation opportunities to be factored into investment decisions as well as bid and exit value
- Maps a clear pathway for seizing opportunities that will achieve the projected ROI



"We embarked upon a strategic sourcing project with Maine Pointe within our Jen-Coat division. They assigned a team of experienced consultants and packaging industry experts that worked diligently with our existing procurement team to strategically source all of our existing raw materials and indirect materials spend. Following a very intense, challenging, and demanding seven months we jointly identified, and agreed on, a number of initiatives that will significantly add to the profitability of our Jen-Coat operating division. The Maine Pointe team remained impartial, professional, and focused."

Tim French
Chief Operating Officer
Packaging Solutions
Holdings, Inc.

About Maine Pointe

Maine Pointe is an operations management and implementation firm that is rapidly becoming a leader in sustainable global supply chain transformation. We help clients maximize profits and improve cash flow to free up working capital while developing a sustainable approach to business practices.

Maine Pointe accelerates value creation by leveraging our frontline operations expertise across multiple industries to break through the barriers to improved growth and profitability.

Our methodologies, processes, and collaborative knowledge transfer capabilities help transform how companies actually operate on the ground.

Maine Pointe teams work with all personnel to seize opportunities that drive significant cash, profitability, and EBITDA enhancements to the bottom line.

Select Private Equity firm clients:

The Carlyle Group
Centre Lane Partners
Charlesbank Capital Partners
Fort Point Capital
Kohlberg & Company
Permira
Veronis Suhler Stevenson
Wellspring Capital Management

Select Portfolio Company clients:

AAVID Thermalloy
BioScrip
Chesapeake
Church Services
Cleaver Brooks
Dave and Buster's
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JW Aluminum
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