

# Representative Engagements: Leading Floor Covering Manufacturer

## Engagement Description

Engaged to perform cost rationalization and operational realignment initiatives for a \$1.2B carpet manufacturer

## Situation

- Operational challenges: significant amount of debt, limited new capital alternatives, and two larger and very strong competitors
- Significant profit deterioration (EBITDA dropped from \$120M to \$12M over a period of 18 months)
- High transportation costs
- Un-integrated acquisitions
- Significant overcapacity (60% utilized) at company and in the overall industry as well
- SKU proliferation
- Raw material price increases; inability to pass through to customers
- Economic slowdown

## Solutions

Profitability Enhancement:

- Implemented approximately 100 efficiency improvements within 16 manufacturing plants
- Manufacturing plant rationalization
- Consolidated regional distribution centers and adopted direct shipping model based on analysis
- Consolidated routing for hard surface business and redesigned network
- SKU rationalization
- SG&A cost reductions
- Restructured sales incentives programs
- Refocused new product introductions

Capital Utilization:

- Facilitated asset sales including the sale of the Rugs division, the sale of manufacturing plants and the phased shutdown and sale of the hard-flooring division
- Reduction of inventory levels by over \$100M

## Results

- The Company returned to profitability after nearly 2 years of net losses ('01 EBITDA loss of \$6M to '02 EBITDA profit of \$60M)
- Dramatic improvement in the quality of the balance sheet, debt was reduced by over \$230M
- Effectively repositioned company as a strong medium-to-high end competitor in residential carpet market
- Averted a bankruptcy filing – jobs were not lost and relationships with vendors were not damaged
- Successfully restructured debt

# Representative Engagements: Italian Casual Dining Restaurant Chain

## Engagement Description

Engaged to lead carve-out of all HQ operations from former parent

## Situation

- Transition of operations from Brinker were 18 months behind and TSA had been extended several times at a significant cost
- Management focus had been on updating menu and lacked discipline toward carve-out tasks
- PE firm owner conducted wholesale changes among management team
- Poor data existed re: store profitability
- Cash flows approached negative levels
- Poor communication between functional teams prevented a 'big picture' view of path forward re: carve-out transition
- Economic slowdown

## Solutions

Cash Management:

- Developed and implemented a 13-week cash flow management program
- Stabilized cash outlays and re-negotiated vendor arrangements
- Implemented cash reduction programs
- Developed labor management practices for the restaurants

Merger Integration/Carve-out Management:

- Developed detailed 9-month transition plan encompassing all aspects of operations to be transitioned
- Assigned ownership for tasks and deadlines on a daily basis
- Conducted cross-functional planning and status meetings to identify and resolve transition issues
- Identified project risks and developed mitigation plans
- Assessed training and communication needs and developed appropriate plans

## Results

- Company returned to profitability and was cash-flow positive as of 3Q 201
- Company and vendors hit all transition milestones and is on target to be independent from former parent by March 2011
- Communication between functions improved and this has facilitated better performance on all inter-department programs (new menu items, rollout of new performance management system, etc.)