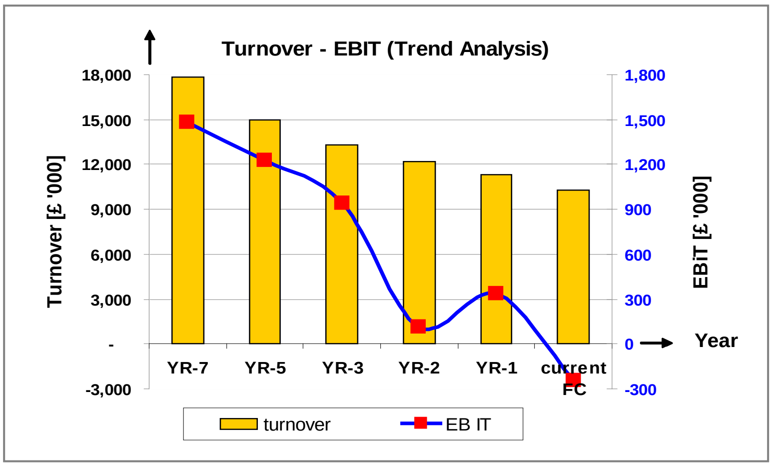
Forester
Business Consulting Ltd.

Case study: Project: Preparing a Company for Divestment

1. Clients Brief

The German subsidiary of a UK Group manufacturing a wide range of mattresses suffered a trend of reducing profits over the last 5 years and predicted a considerable loss for their current business year. FBC Ltd. was asked to analyse the business and identify reasons for the downward trend, define corrective actions to be taken in close consultation with the local management and present an agreed action plan to the Board in the UK within 4 weeks from the starting date of the project, in order to develop a suitable divestment strategy thereafter.



2. Experience and skill level required

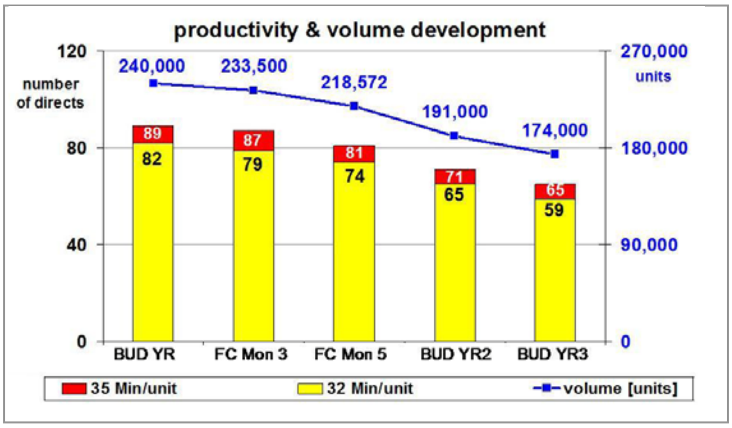
- longstanding process analysis experience in the manufacturing industry
- degree educated, multi-cultural awareness and linguistic skills
- familiar with international reporting and controlling structures
- excellent change management skills
- analytic and pragmatic in his approach, determination to succeed

3. Approach

A business analysis visualised the financial figures for the last 3 years versus the budget for the current year in comparison to the sales revenue development. This allowed a detailed review of the customer base and the customer segmentation in dependence of the product range, identified the margin ranges per product, the manufacturing implications, stock reduction opportunities of finished goods and raw materials, and a review of the personnel structure, before we defined the potential cost reduction opportunities to recommend to the UK Board.

4. Project evaluation phase

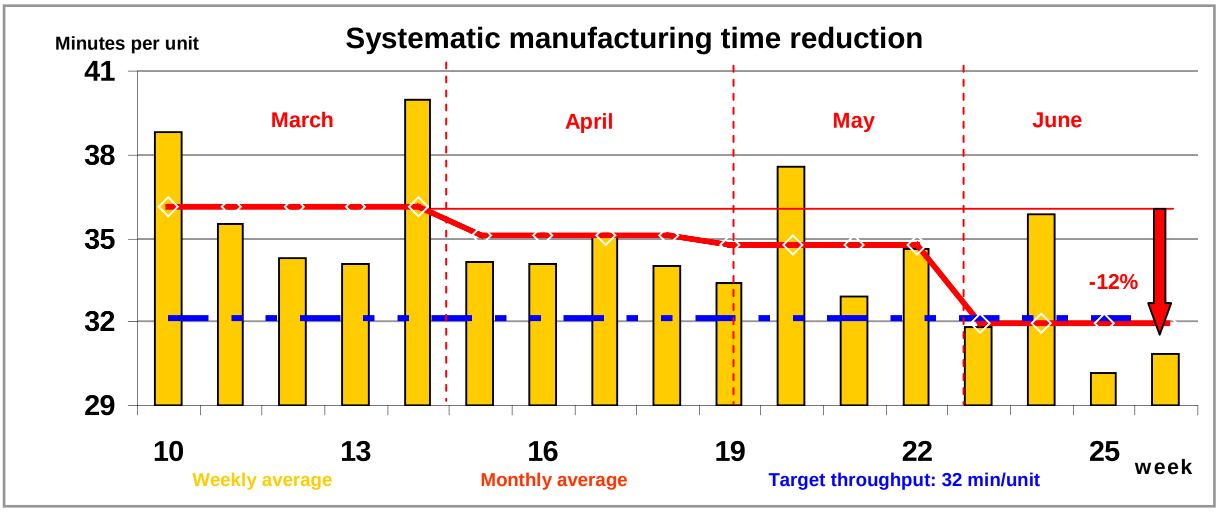
The various analyses confirmed our initial assumption that while sales had constantly reduced over the years (due to market share loss), the overhead cost had been allowed to steadily increase. This inevitably had caused the poor company performance.
This was exacerbated by a huge and complex product portfolio that had been allowed to develop by adding, for instance, multiple non-standard mattress sizes or fabric covers as one-offs.



While margins for those one-offs were very unfavourable, the profit surge was accelerated by huge stocks of slow or non-moving items, non-fashionable fabric material that had been carried forward and successively became unusable. The production process flow appeared not to be optimised. The potential for gaining manufacturing efficiencies was untouched as the throughput times and labour inefficiencies per unit were higher than necessary. Personnel levels had been constant over the years despite sales volume reduction. Urgent steps for recovery needed to be implemented after the presentation to the Board.

5. Achieving the financial expectation

Having completed the 1st phase with the analysis, evaluation and the presentation to the Group/UK parent company directors on time and to their full satisfaction, FBC was engaged for phase II again during which the corrective actions proposed were implemented and the effects closely monitored in several review meetings.
In particular, the process for the proposed immediate personnel reduction was initiated, but did not show any financial benefits before another 3 months, when the effect of the reduction in salary and wages costs impacted on the P&L. The management at local and



Group level was happy to accept this fact. In the meantime however, a programme to adjust the production capacity to the decreased sales demand was started immediately. Throughput times [min/unit] were systematically driven down and labour efficiency was improved month by month. This resulted in an instant bottom line improvement equivalent to 12%.
The above measures showed a vast improvement in profitability (during the 2nd half of the business year), just in time before due diligence began with the potential buyers.

6. Divestment

FBC was then retained during phase III of the project to find a suitable buyer for the business. After delivering a selling document to the UK Board which was approved it only took three months to finalise due diligence work and divest of the business to the new owners.