Crowe

Smart decisions. Lasting value.™

Performance Improvement

Turnaround case study

About the client

- U.S. producer of bakery products
- Numerous manufacturing facilities and in excess of 50 retail and distribution points in multiple states
- More than 2,000 employees
- Annual revenue in excess of $300M with low, single digit EBITDA
- Selling markets including food retailers, restaurants, and educational institutions

Challenges facing the client

The company traditionally enjoyed year-over-year sales growth across its portfolio as a prominent regional player. Sales steadily declined in recent years due to shifts in consumer preferences and behaviors. The drop in revenue led to a significant decrease in EBITDA, preventing the company from meeting its bank covenant obligations. The company engaged Crowe to identify key turnaround initiatives to reduce costs, increase EBITDA, and return the company to compliance with its covenants.

Analysis identified the following major issues:

- Lack of insight into SKU profitability, leading to a bloated product portfolio
- Excessive costs associated with returned product caused by a lack of order controls and accountability
- High freight expense resulting from network underutilization and outdated distribution strategy
- Significant operational performance challenges related to excessive downtime and changeovers plus high scrap, combined with the absence of metrics and an accountability system

Execution focused on the following transformational platforms:

- Developed product profitability model and SKU rationalization process to eliminate unprofitable items
- Established reporting and analysis tools to provide visibility and enable tracking of product returns
- Implemented controls and modified customer supply arrangements to reduce return of high stale items
- Developed and implemented transportation and asset network optimization strategies
- Defined and helped improve accountability process within manufacturing facilities to identify root cause issues and develop sustainable solutions
- Reviewed bakery footprint and capacity requirements, resulting in the closure of one bakery and elimination of its associated fixed and variable cost structure

Impact

$4.9M + **$2.4M** + **$5.2M** = **$12.5M**

$4.9M	$2.4M	$5.2M	$12.5M
Returns Reduction	*Transportation Optimization*	*Facility Consolidation*	*Total EBITDA Savings*

Improved Fixed Charge Ratio from 0.5-to-1 to 1.1-to-1

Reduced projected Funded Debt to EBITDA Ratio from 3.0-to-1 to 1.0-to-1

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