

ANDREW BOLIVAR

DIRECTOR, CENTER OF EXCELLENCE



INDUSTRY

- Business & systems analysis
- Process design and implementation
- Forecasting, Planning, QA, Warehouse, and Inventory Control

CONSULTING

- ERP Presales Consultant
- Technology Evaluation & Selections
- ERP Implementation Project Mgmt.
- Process Analysis & Redesign

TECHNOLOGY

- ERP, MES, WMS, Forecasting
 - ERP Implementations: JD Edwards, NetSuite, Microsoft Dynamics, Infor CSI

EDUCATION & AFFILIATIONS

- BA: University of Illinois – Economics
- PMI Member
- ACG Member

*Andrew is a **17-YEAR MANUFACTURING AND TECHNOLOGY INDUSTRY VETERAN** with experience within manufacturing, management consulting, and the software industry.*



HOW ENTERPRISE TECHNOLOGY IMPACTS VALUATION & INVESTMENT STRATEGY

Presented by Andrew Bolivar

Welcome

AGENDA

- About Ultra Consultants
- Supporting M&A Activity: Real World Examples
- PE Service Overview
- Assessing Processes & Applications During Due Diligence
- Case Studies
- Q&A

About Ultra

Independent Consultancy

Focused on Manufacturing & Distribution

North America

Mid-market

300+ clients

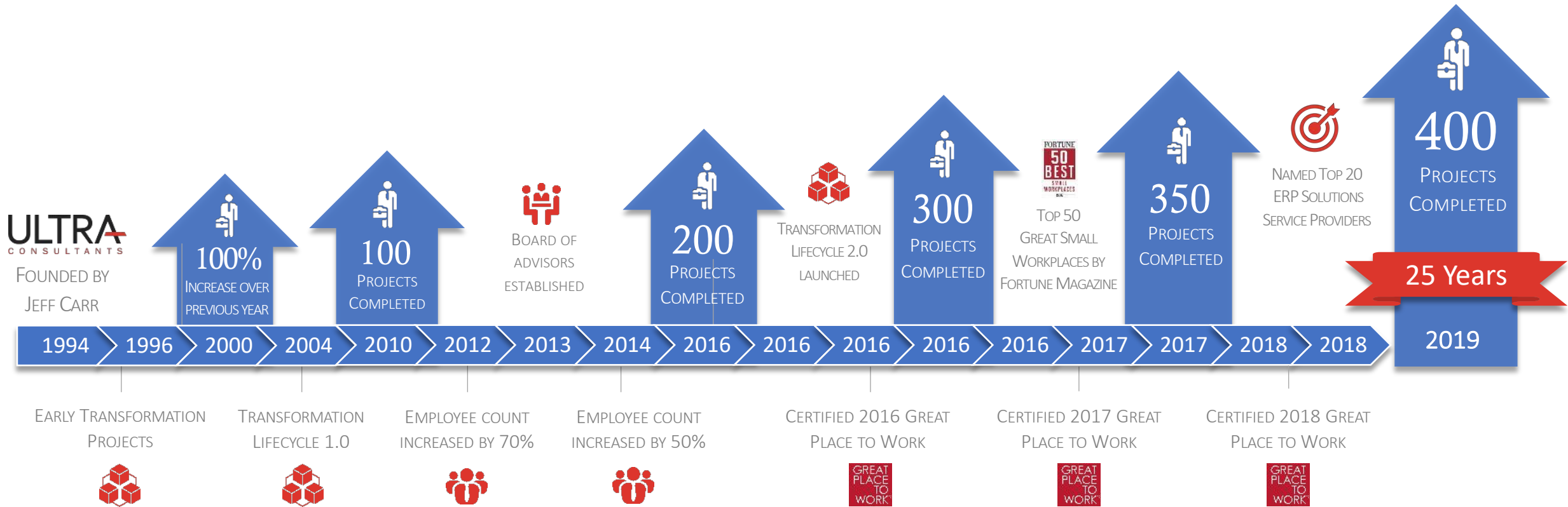
Driving Business Process Transformation
with Modern Information Technology





ULTRA CONSULTANTS

CELEBRATING 25 YEARS OF CLIENT SUCCESS





Ultra's Focus as a Partner



CLIENTS

Throughout North America

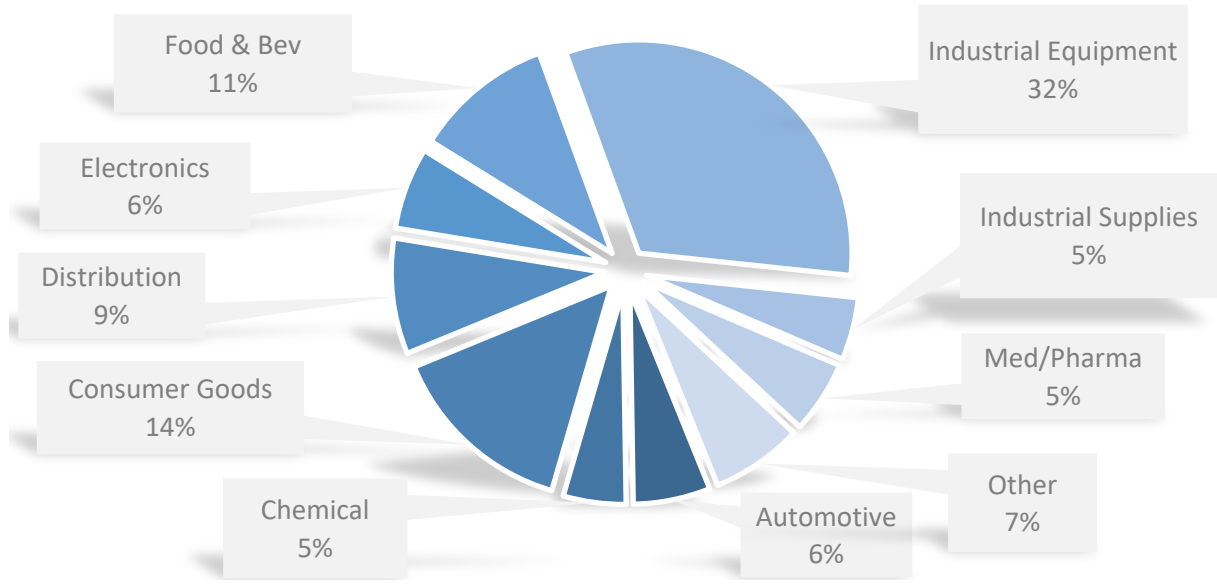


EXCLUSIVE Focus

Manufacturing and Distribution

BEST PRACTICE EXPERTISE

Business Process Improvement



Clients by Industry



Clients by Size

Clients by Industry

					
Aerospace & Defense	Automotive	Chemical	Consumer Goods	Distribution	Electronics
  	  	  	  	  	  
					
Food & Beverage	Industrial Equipment	Medical Devices	Metal Fabrication	Pharmaceutical	Plastics
  	  	  	  	  	  

Your Independent Partner



100% Vendor Independent



30+ Vendors Selected & Managed

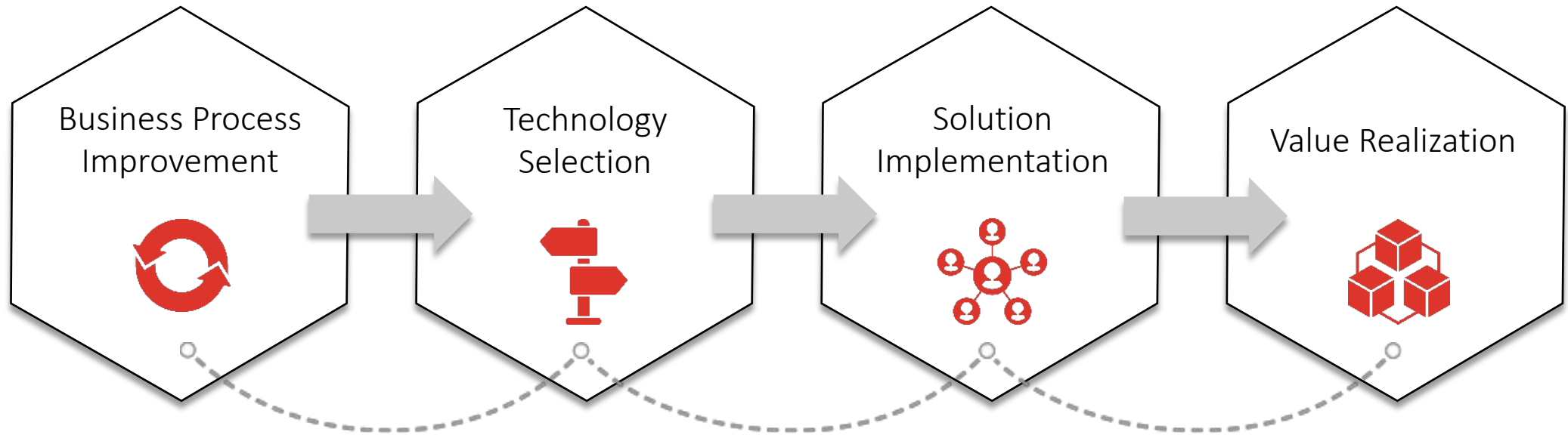


50+ Vendor Relationships



Ultra's Services

YOUR BUSINESS TRANSFORMATION LIFECYCLE



- Current State Analysis & Benchmarking
- Future State Design
- Vendor Qualification
- Business Case Development

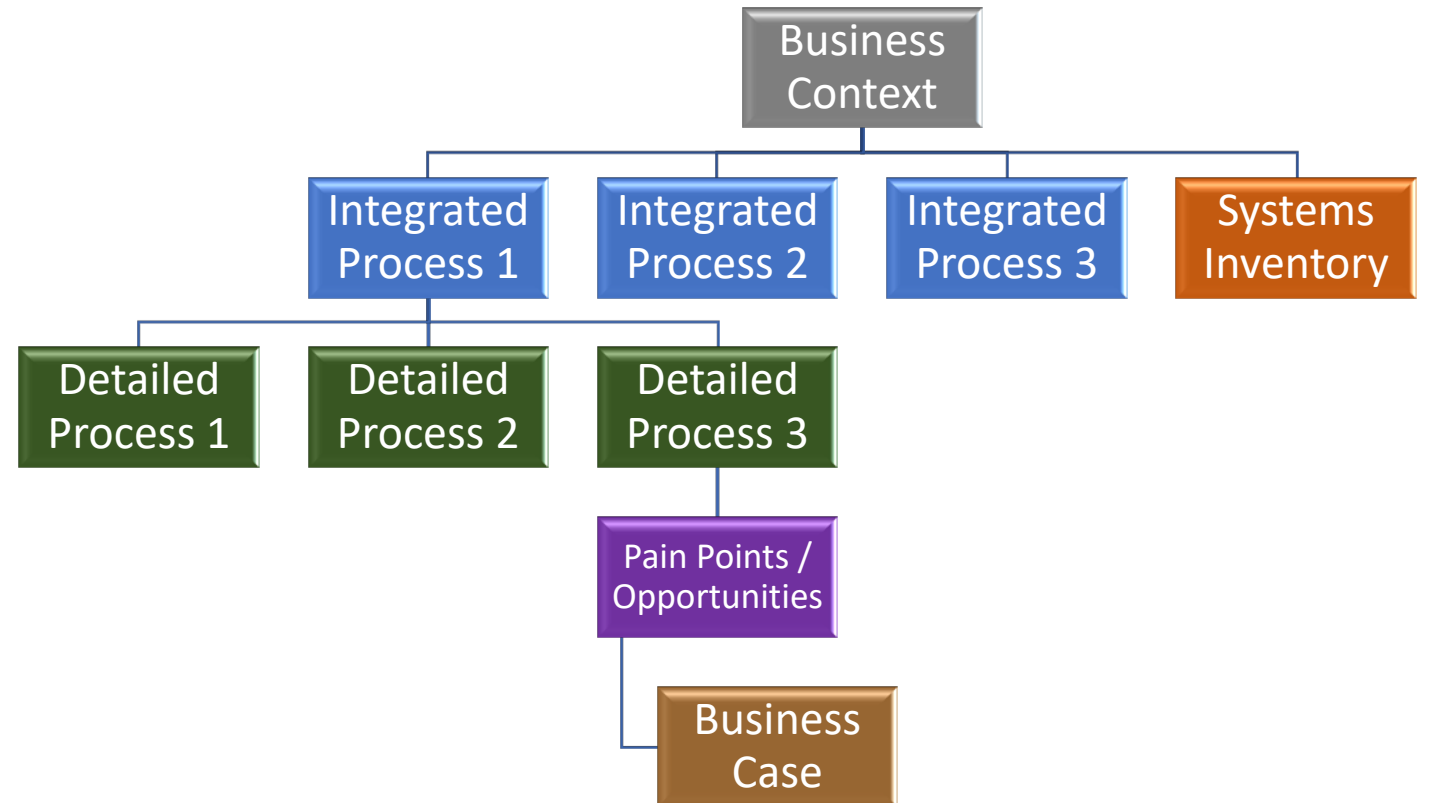
- Guided Technology Evaluation
- Vendor Discovery Support
- Project Planning
- Contract Negotiation Support

- Design Guidance
- Project Management
- Issue Resolution
- Risk Management
- Change Management

- Process Improvement
- Performance Benchmarking
- Organizational Change Management

Current State Activity Breakdown

- Discovery Process
 - Includes Multiple Levels of Details
 - Lead to Cash
 - Plan to Produce
 - Design to Deploy
 - Hire to Retire
 - Source to Pay
 - Catalogs Business & Systems Requirements
 - Catalog Opportunities & Value



SUPPORTING M&A ACTIVITY REAL WORLD EXAMPLES



MERGER - HEAVY DUTY VEHICLE REPAIR

Company Background

- Industry leader in manufacturing and distribution with a full line of waste handling equipment
- Provides repair, maintenance and installation services to its hauler customers on refuse trucks, roll-off hoists, street sweepers and compactors.

Project Drivers

- Disparate systems & processes
- Achieve growth targets
- Optimize processes



MERGER - HEAVY DUTY VEHICLE REPAIR

Valuation that comes from rationalization of processes, systems and master data

Business Process Improvement

- Current State analysis
- Alignment of Resources/Organizational Commitment
- Established Project Charter
- Definition of future state systems and processes
- Selection and implementation of core ERP that can support company growth



MERGER - HEAVY DUTY VEHICLE REPAIR



Human Resources	Accounting / Finance	IT	Product Management - Product Development	Procurement - Buying/Sourcing	Customer Service - SME	Inventory Management	Warehousing - Shipping/Receiving	Delivery	Sales
Hiring	Payroll	Sage	Identify new products	Establish Min/Max/EOQ	Respond to Customer Inquiries	Reorder Parts	Pick	Load Truck	Account Management
Training	AR	Excel	Create parts in system	MRP	Build Draft Shopping Cart - Republic	Manage min/max reorder points - safety stock	Pack	Deliver	SME
Benefits	AP	Quickbooks	Part research	Vendor Performance	Order Entry	Cycle counting	Ship	Pick-up Returns	Marketing
Review Process	GL	NAV	Make/Buy analysis	Strategic Sourcing	Pull Parts	Location Transfers	Invoice	RMA	Manage Sales Team
Time and Attendance	Costing	Wireless	New Product Lines	Create PO	Shipping / Receiving / Filling Orders - Stocking of	Slotting	Receive		Pricing
Safety	Collections	Desktops	Part Cross Reference	Returns	VMI Support	Kitting	Label		Order Follow-up
Employee Management / Discipline	Material Location Transfer accounting transactions	Servers	Pricing	Vendor Warranty	Vendor Part Research	Blanket Order Management	Stock / Put away		Customer Calls/Visits
	Sales and use tax compliance	Warehouse guns	Part Maintenance	Special Projects		DRP	Crossdocking		New Product Development
	Budgeting	Camera's	Customer Relationship Management			Put away	RMA		Quoting
	Bank Reconciliation	iPads	Kitting			Labeling			
	Reporting	Dropbox / Catalogs	Vendor Identification						
	Expense Monitoring	Website	Private Labeling						

Live in 5 Months

- ✓ Divergent Cultures
- ✓ Common procurement
- ✓ Consolidated master files
- ✓ Improved customer responsiveness



MERGER - HEAVY DUTY VEHICLE REPAIR

Value Realization

- ✓ Working to the future state
- ✓ Dashboards and leading indicators
- ✓ Reduce manual effort
- ✓ Improved IT process
- ✓ Vendor management
- ✓ Defined “key areas of competency”
- ✓ Reduced time to benefit
- ✓ Project and risk management
- ✓ Established Process Improvement Team



ACQUISITION – FOOD PROCESSOR

Company Background

Company is a snack food processor of national and private label brands.
Acquired by PE mid-project

Project Drivers

- ERP Project Recovery
- Validation of system as a platform
- Legacy system lacked ordering functionality



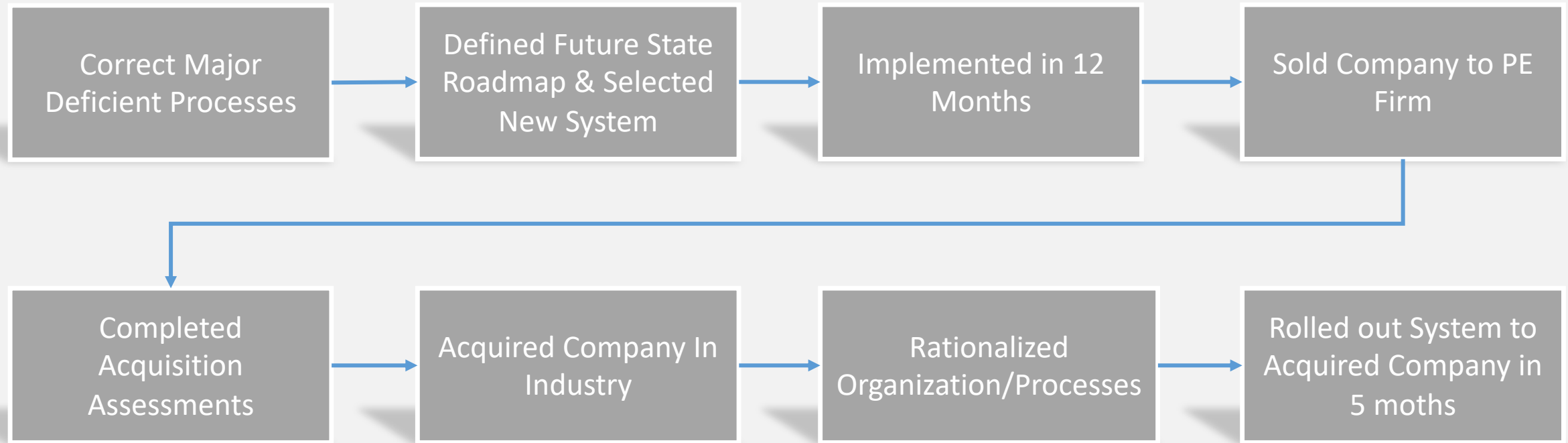
ACQUISITION – FOOD PROCESSOR

Activities Completed Pre-Sale

- Current State operational processes from front to back
- Alignment of Resources/Organizational Commitment
 - Steering/Governance Committee
 - Core Team – Process Owners
 - Process Improvement Teams
- Ensured Business Overview
 - Strategy Review
 - SWOT / Scorecard Review
 - S&OP Review
- Established Project Charter
- Definition of future state systems and processes
- Selection and implementation of core ERP that can support company growth



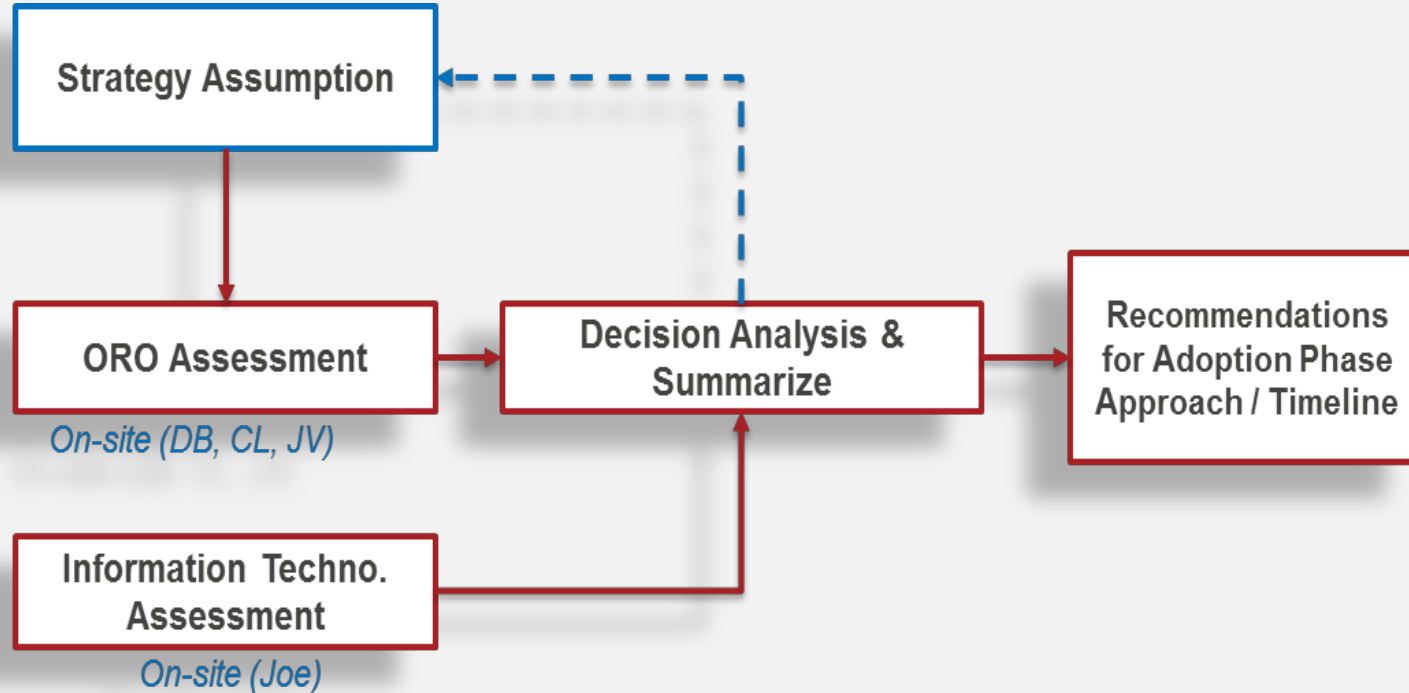
ACQUISITION – FOOD PROCESSOR



ACQUISITION – FOOD PROCESSOR



PROJECT ASSESSMENT



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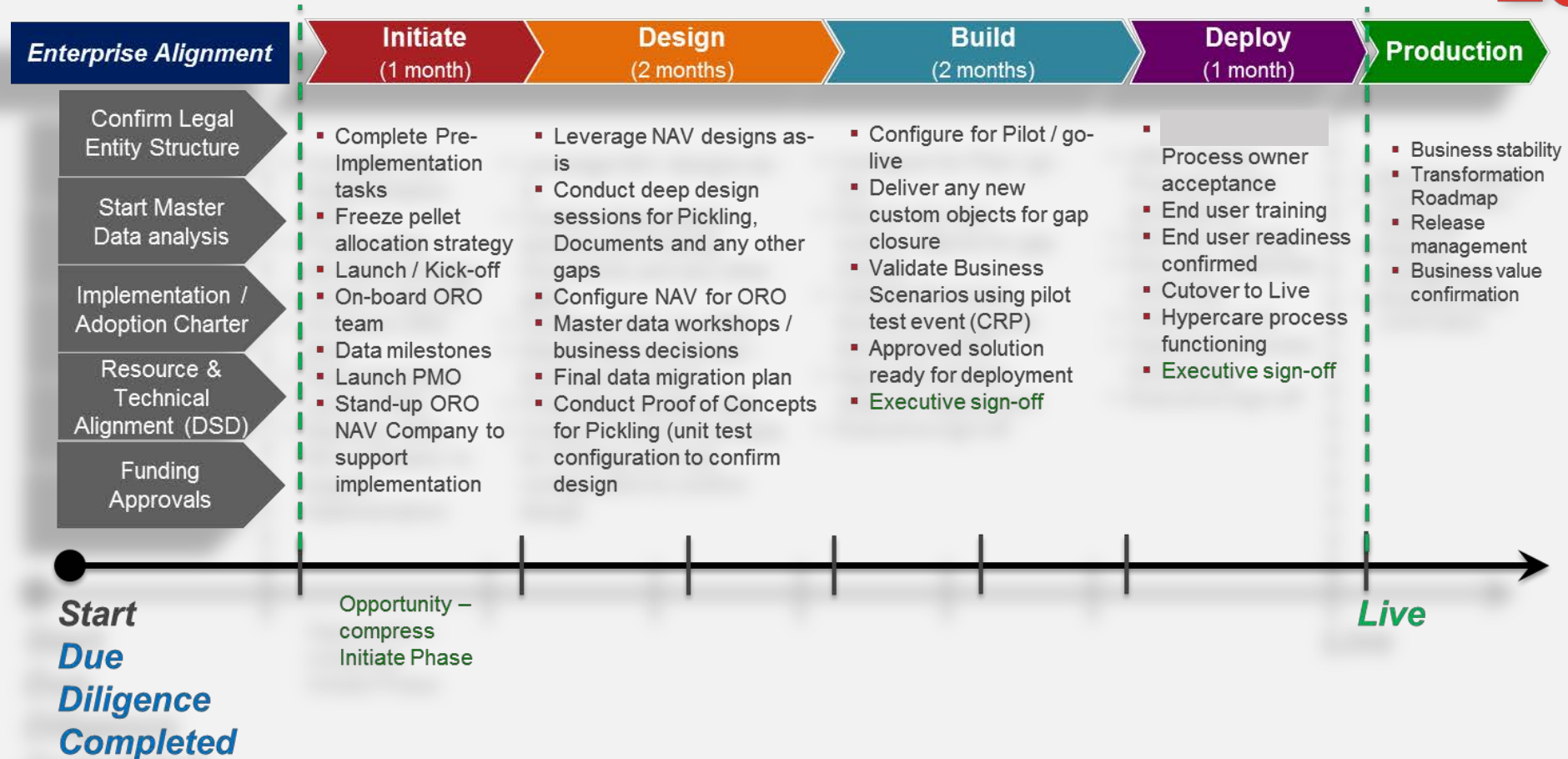
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ACQUISITION – FOOD PROCESSOR



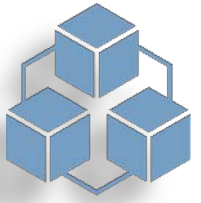
PROJECT INTEGRATION



FOCUS ON PE

PRIVATE EQUITY SERVICES





ULTRA'S PE SERVICES

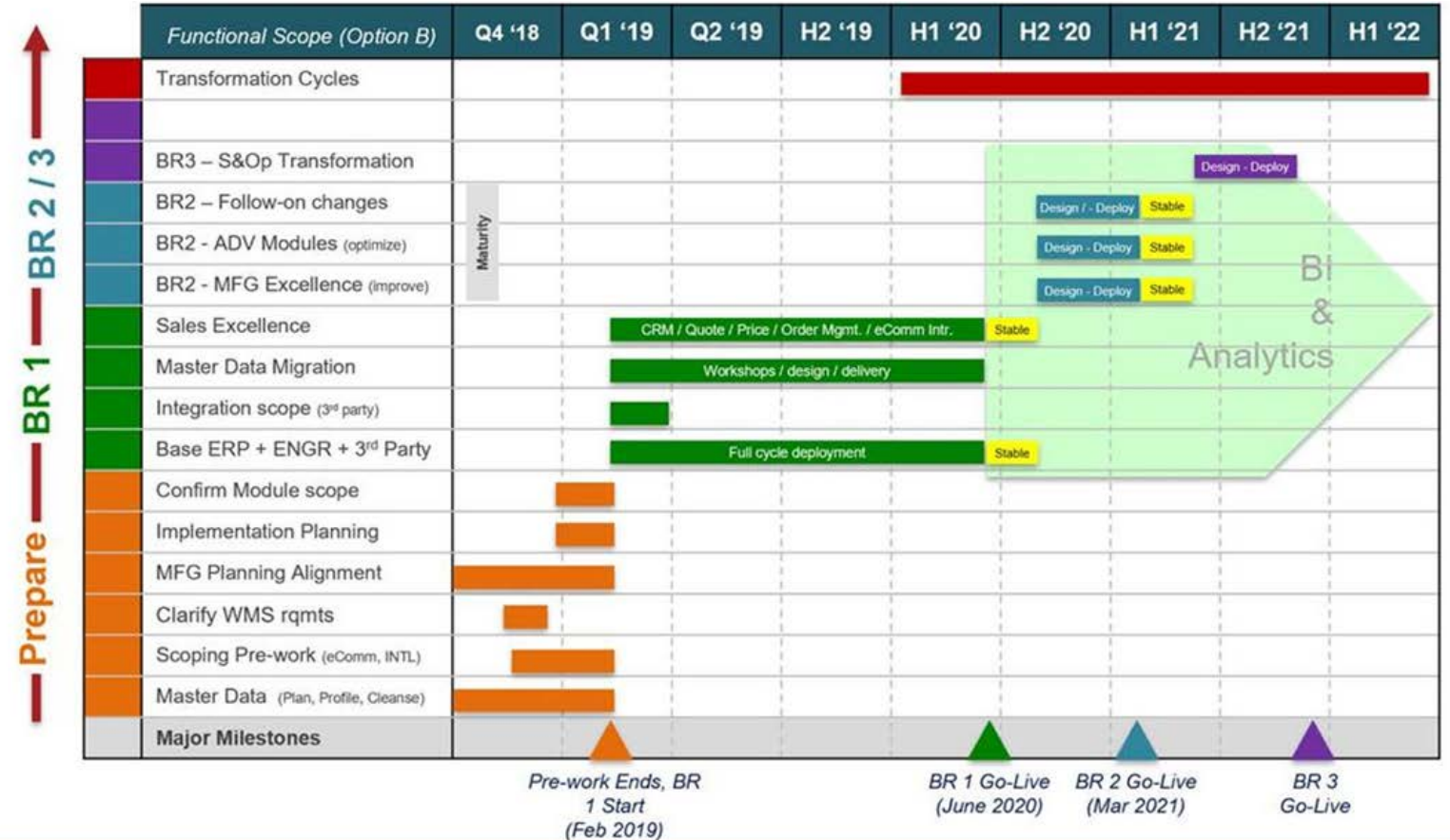
- Assessments
- Process Innovation
- Technology Evaluation/Selection
- Engagement Management
- Due Diligence



ASSESSMENTS



- Business model review
- Process and system reviews with process owners and SMEs
- Report out on process & system maturity
- Risk report and recommended next steps



PROCESS INNOVATION

Ultra's
PE Services



- Process and systems auditing
- Opportunity identification, prioritization and valuation
- Project execution providing guidance and tactical leadership to:
 - Plan initiatives
 - Manage execution
 - Deliver value per the business case

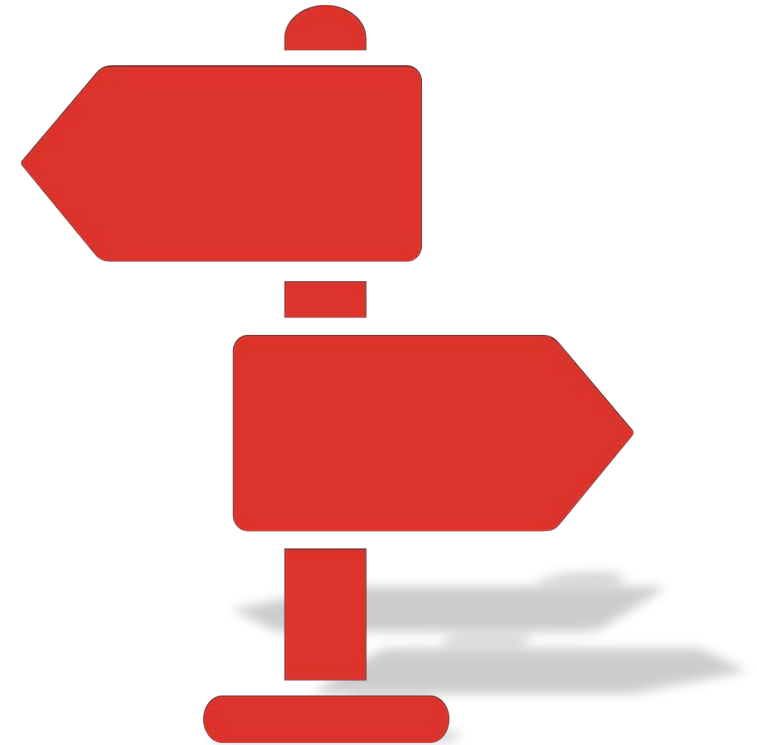


ENTERPRISE TECHNOLOGY EVALUATION & SELECTION

Ultra's
PE Services



- Aligning solutions with strategic direction
- Guiding an objective analysis along multiple dimensions
- Supporting detailed project planning
- Negotiation support and advisory



ENGAGEMENT MANAGEMENT

Ultra's
PE Services



- Expert guides with track records in managing complex projects
 - Industry experience
 - Project management
 - Multiple system implementations and project improvement initiatives
 - Change management

DUE DILIGENCE

Ultra's
PE Services



- Uncover risks related to technology
- Find synergies
- Do the systems and processes align with the regulatory environment?
- Recommended actions and estimated costs



DUE DILIGENCE

WHY IT MATTERS



Has anyone been burned by unexpected costs due to business applications?

- Important to look at applications as the driver of IT expense
 - Support for day to day operations
 - Support for upgrades
 - Hardware, networking, mobile devices
 - Etc.



ENTERPRISE APPLICATIONS ARE EXPENSIVE

- As of 2019 ...
 - IT spending ranges between 1.5% and 3.5% of revenue in the manufacturing sector
 - With an average cost of \$3,800 - \$10,000 per user, per year

Is the business meeting its objective?



ERP REPLACEMENT COSTS BY SOFTWARE CLASS

ERP Investment Estimates	-----On Premise Software-----			-----SAAS-----
	Small-Medium Business Class	Mid Market Business Class	Enterprise Business Class	Cloud Based Monthly Subscriptions
Core ERP Software Suite				
# of end-user licenses	50	100	200	100
License cost	\$3,500	\$4,500	\$5,500	\$210
Software Costs Subtotal	\$175,000	\$450,000	\$1,100,000	\$21,000 Monthly Subscription
Software Maintenance	\$38,500	\$99,000	\$242,000	N/A
Implementation Services				
# days	300	600	1,200	600
Billing rate/day	\$1,300	\$1,450	\$1,600	\$1,450
Implementation Services Subtotal	\$390,000	\$870,000	\$1,920,000	\$870,000
TOTAL INVESTMENT (Year 1)	\$603,500	\$1,419,000	\$3,262,000	\$1,122,000
YEAR OVER YEAR INVESTMENT	\$38,500	\$99,000	\$242,000	\$252,000

Assumptions:

- Estimates do not include internal staffing, disaster recovery, hardware, hosting, PC's, and handhelds.
- Basic functional scope. Excludes complex, or advanced capabilities.

DUE DILIGENCE VARIES BY STAGE

- Pre-LOI Diligence
- Post LOI Diligence



PRE-LETTER OF INTENT DILIGENCE

Factors to review include:

- Is the technology current and supportable?
- Functional fit to industry? Fit to regulatory environment?
- What are the alternatives and their related costs?
- Comparing licensing expense to size and sector
- How separable is an entity in a carve out?



HOW IS PRE-LOI DONE?

Review of existing documents and artifacts

- System maps
- Software licensee lists
- IT budgets
- Stakeholder interviews



REAL WORLD EXAMPLE: CARVE-OUT DUE DILIGENCE

Scenario

- Pharmaceutical carve-out
- Buyers looking for pre-sale insight

Application and process due diligence uncovered

- Oversized application stack
- Exorbitant IT operating expense
- Weak support contracts with leaks

Key Insight

- International operations are a major risk based on the regulatory environment and complete lack of system support



REAL WORLD EXAMPLE: POST-SALE, BUY-SIDE DILIGENCE

Scenario

- Nationwide retail and ecommerce company
- Significant IT organization and expense
- Legacy applications
- Cut costs and yield returns

Applications due diligence uncovered:

- Exorbitant IT staffing costs
- Outdated systems architecture and support models

Key Insight

- Recommendation for a specific application and partner to support the business model reducing costs and improving customer requirements



FIRST STEP: WHAT IS YOUR INVESTMENT THESIS?

IT options vary depending on where you're going

- Portfolio expansion?
- Single company growth?
- Cost cutting?

Takeaway – interpreting the due diligence findings is dependent on understanding your strategy



EXPANDING THE PORTFOLIO — A PLATFORM FOR GROWTH

- Applications are front and center – platform for growth
- Industry-aligned solutions
- Scalability and rapid onboarding of new acquisitions



SINGLE COMPANY GROWTH

- Business process is front and center
- Aligning processes and systems
- Reducing support expenses



COST CUTTING

- Deep dive application costs such as licenses, maintenance, & support
- Reducing the application stack
- Moving to lower cost, viable options for the industry and sector



RECAP

- Enterprise applications are a primary driver of IT expense and business capability
- Understand more, sooner than later
- Define best fit options based on your investment thesis





QUESTIONS?

ultraconsultants.com/erp-education

THANK YOU!

**Team with Ultra to Drive
Business Performance Improvements**