

Alliance Cost Containment

Managing Procurement Costs for PE Firms + Portfolios

ACG PERT WEBINAR - Q1 2021



Background



- Specializes in indirect spend optimization
- Platform to increase EBITDA and valuations
- Performance based fee structure
- Full transparency of the value generated by indirect procurement
- Privately held, headquartered in Louisville, KY



MILES LEE

- **CEO and President of Alliance Cost Containment (ACC)**
- 20 years of executive strategic sourcing and group purchasing experience
- Under his leadership, ACC has experienced exponential growth, received numerous awards

Discussion Topics

ACC
Overview

Indirect
Expenses

Common
Misconceptions

Best
Practices

Covid-19
Impacts

ACC's Services for PE Portfolio Companies

4

Due Diligence Support

Preliminary Savings Analysis

- Estimate savings potential during the due diligence phase
- Identify supplier risks

Indirect Cost Reduction

7% – 35%+ Indirect Expense Reduction

- Implement cost reduction in 30+ expense categories
- Improve EBITDA and portfolio valuations without any disruption to operations

On-going Savings Audits

Measure, Verify and Track On-going Savings

- Audit realized cost savings for bottom line impact
- A value creator during exit phase

Indirect Expense Categories

Bank Fees

Chemicals

Cloud Services

Coffee / Beverage

Copier / Printer

Document Management

Equipment Rentals

Facility Maintenance

Fleet

Food / Beverage

Freight

HR Services

Insurance

Janitorial

Mail Services

Mats / Linens / Uniforms

MRO

Office Supplies

Packaging

Pallets

Payment Services

PPE

Printing / Promotional

Safety / Security

Storage

Telecommunications

Temporary Staffing

Travel

Treasury Management

Utilities

Vehicle Leasing

Waste / Recycling

and others....

Common Misconceptions of Indirect Spend



Low savings potential



Not worth the time or effort



Spend is already optimized

Savings Example: \$450M PE Backed Manufacturing Co.

Select Categories	Spend	Savings \$
MRO	\$9.6M	\$1.1M
Freight	\$6.7M	\$.85M
Packaging	\$2.6M	\$.75M
Insurance	\$1.2M	\$.20M
IT, Telecom	\$1.9M	\$.20M
All Other Categories	\$4.0M	\$.70M
ANNUAL SAVINGS	\$26M	\$3.8M

Annual Spend Reviewed

Indirect Cost Reduction	Amount
Total Annual Savings (12 months)	\$3.8M
Gross EV Creation @ 10x	\$38M
Less: Implementation Fees & costs (lifetime)	(\$2.1M)
Implied NEV Creation @ 10x	\$35.9M

Savings Example: PE Network Effect

	Company 1	Company 2	Company 3	Company 4	Company 5	Company 6	Company 7	Company 8	Totals
Annual Spend	\$20M	\$15M	\$25M	\$10M	\$8M	\$11M	\$13M	\$8M	\$110M
Estimated Annual Savings	\$3.0M	\$1.0M	\$1.5M	\$0.7M	\$0.8M	\$1.2M	\$1M	\$0.6M	\$9.8M



No disruption / minimum time required from portfolio companies



EBITDA improvements through savings efficiencies



“Network effect” of benefits across portfolio



Competitive advantage during due diligence stage

Best Practices



Make it a C-Suite priority

Closely monitor the dollars

Clean slate for vendor relationships

Supplier contract management

Watch for COVID-19 impacts

Best Practice #1:
Make it a C-suite Priority

BEST PRACTICE	PERIODIC EXERCISE	DO NOTHING
Continual drive for lower costs and improved efficiencies with objectives and key measures	Annual price negotiation	<p>Suppliers are likely making high margin on your business!</p>
Research and benchmarking of supplier innovations and best practices	Focus on service, delivery and minimal disruption	
Reward and promote procurement staff based on delivered results	Try to do more with fewer resources	
Strategic priority throughout the organization	An annual check-up	

Closely Monitor the Dollars

CASE STUDY:

TELECOMMUNICATIONS

- \$15M annual spend
- 3-year contract with national carrier resulted in over \$2M in savings per year for a Fortune 500 company

Results:

- ⇒ \$1.3M in overcharges discovered
- ⇒ \$3.2M total credits & rebates re-issued to client



Closely Monitor the Dollars

CASE STUDY:

BANK FEES

- 130+ unit restaurant operator
- Long-term relationship with bank that included credit facility

Results:

- ⇒ 3 years and \$225K of erroneous bank fees were discovered during a category review



Clean Slate Approach to New Vendors

Case Study:

COMMERCIAL INSURANCE

- \$1 billion distribution company
- Previous CFO had a comfortable, 10-year relationship with insurance broker
- New CFO conducted competitive market review

Results:

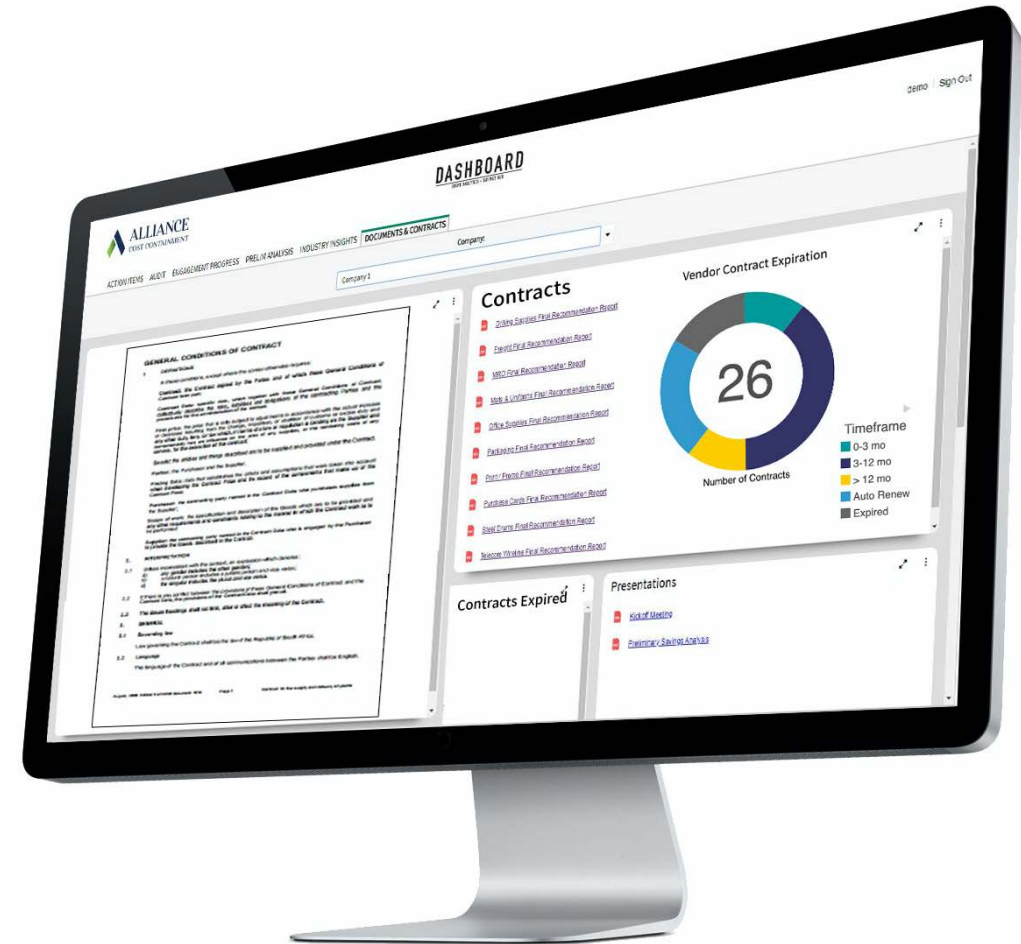
- ⇒ 20% reduction in premiums (\$1M savings)
- ⇒ Improved coverage & reduced risk
- ⇒ Discovered higher broker fees than had previously been disclosed



Supplier Contract Management

Supplier Contract Tips

- Have a single repository for all contracts
- Conduct quarterly review
- Be aware of potential savings and costly surprises in the contract language



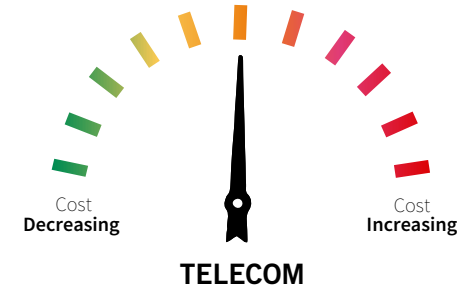
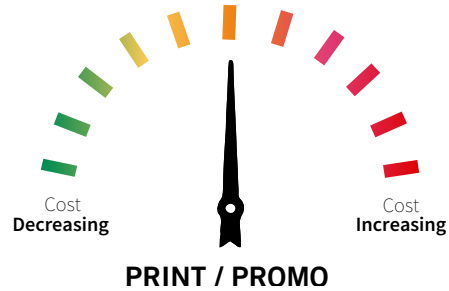
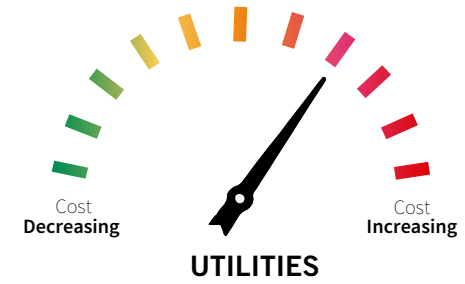
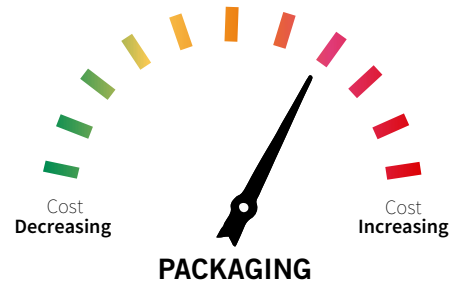
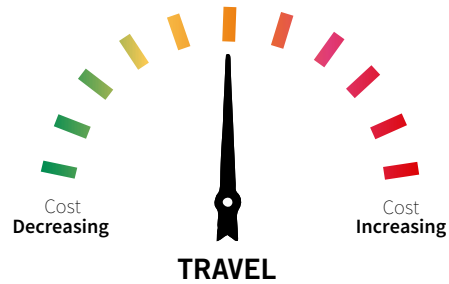
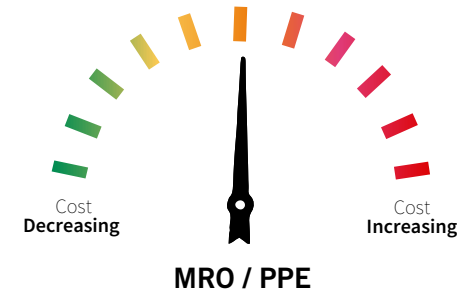
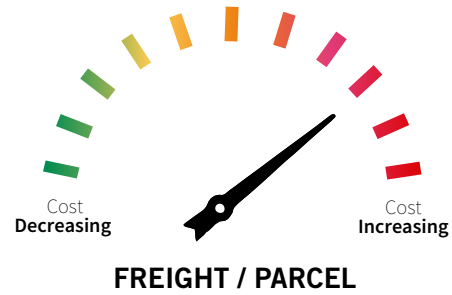
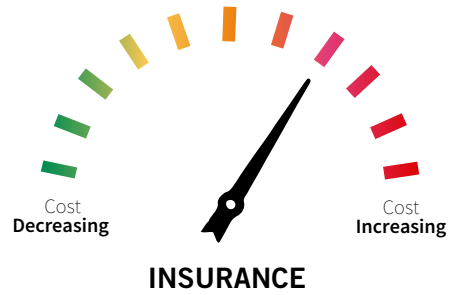
Conclusions



Current
Environment

Savings
Roadmap

Current Environment



Get Started: Savings Roadmap

Preliminary Savings Analysis

- Confidential, no-cost review of vendor spend file
- Assess savings potential
- Identify supplier risks
- Categorize spend
- 2-week turnaround



Conclusion



Questions



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