



PRIVATE EQUITY PERFORMANCE IMPROVEMENT

Flight Plan to Recovery: Aerospace, Defense, Aviation & Space Case Studies

The Aerospace, Defense, Aviation & Space industry is currently navigating a complex path to recovery in the aftermath of global market disruptions and under the influence of political headwinds, playing a critical role in national defense and economic growth.

In our five-part case study series, "Flight Plan to Recovery," A&M Aerospace, Defense, Aviation & Space professionals will discuss the key operational, financial and strategic issues affecting companies in the industry and provide actionable insights and real-world solutions to address these issues. We will highlight key areas companies should focus on in the wake of the pandemic:

- Manufacturing Footprint Optimization
- Supply Chain Cost Reduction
- Product Portfolio Optimization
- G&A Optimization
- Transformation Office

It is critical to invest in an approach, understanding that enterprise-wide improvements must support top-line growth. Each of the elements we will discuss in this series directly impacts the others, so merely addressing one issue will not maximize the operational and financial value for the enterprise as a whole.



CASE STUDY: MANUFACTURING FOOTPRINT OPTIMIZATION

In the first case study of the series, we highlight *Manufacturing Footprint Optimization* and its impact on a global industrial and aerospace manufacturer and service provider.

THE BACKGROUND

Situation:

- Stock price was down 50% from the 2018 high
- Revenue was down 15%, and EBITDA was down by 35% across the prior three years
- Activist investors were demonstrating increasing interest
- A new CEO was instated in July 2022 shortly after other members of the senior leadership team had been replaced
- A&M was brought in to assess opportunities in November 2022

Complications Leading to Situation:

- Heavily acquisitive culture with limited integration activities
 - 14 enterprise resource planning (ERP) systems with varying levels of adequacy
- Limited key performance indicator (KPI) / performance tracking ability
- Lack of stock keeping unit (SKU) profitability transparency
- Poor controls to validate / track supplier pricing
- Redundant / non-value-add back-office activities
- Overlapping manufacturing capabilities at differing cost and capability levels

THE CHALLENGE & OUR APPROACH

Overlapping manufacturing capabilities at differing cost and capability levels worldwide

- Reviewed site-by-site cost structure, technologies, capacities / processes and business plans
- Defined and evaluated possible footprint optimization scenarios including customer proximity and long-term growth
- Created a business plan with financial factors, cash flow, one-time costs and return on investment (ROI); prepared a master footprint rationalization plan
- Supported negotiations with the Workers Council on legal and HR implications in Germany and Italy, as well as Greenfield, Indiana

RESULTS DELIVERED

INDUSTRIAL &
AEROSPACE

\$16M

Margin Improvement
Opportunity

- **Industrial:** Identified total margin improvement opportunities of \$13M from tactical price increases of small volume SKUs and \$9M from negotiating with negative and dilutive customer accounts
- **Aerospace:** Identified a further margin improvement opportunity of \$3M on the remaining \$27.2M of revenue
- Developed and left behind methodologies and sustainment tools for the client to replicate at the remaining sites in their portfolio

A&M has expertise in driving performance improvement across the Aerospace, Defense, Aviation and Space ecosystems and the broader industrial base. Our team's deep operational and functional strengths, exceptional industry knowledge, and insight into market drivers position us to assist clients in addressing various challenges. From transaction support to operational enhancement, supply chain optimization, and capital efficiency, our approach consistently delivers substantial improvements and solid returns for our clients.

CONTACT US



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ABOUT ALVAREZ & MARSAL

Companies, investors, and government entities around the world turn to Alvarez & Marsal (A&M) for leadership, action and results. Privately held since its founding in 1983, A&M is a leading global professional services firm that provides advisory, business performance improvement and turnaround management services. When conventional approaches are not enough to create transformation and drive change, clients seek our deep expertise and ability to deliver practical solutions to their unique problems.

With over 9,000 people providing services across six continents, we deliver tangible results for corporates, boards, private equity firms, law firms and government agencies facing complex challenges. Our senior leaders, and their teams, leverage A&M's restructuring heritage to help companies act decisively, catapult growth and accelerate results. We are experienced operators, world-class consultants, former regulators and industry authorities with a shared commitment to telling clients what's really needed for turning change into a strategic business asset, managing risk and unlocking value at every stage of growth.

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