



## PRIVATE EQUITY PERFORMANCE IMPROVEMENT

# Aerospace Components Business: Footprint Optimization Case Study

In an effort to reduce costs and improve operations, manufacturers across sectors have looked to optimize their footprints. This is also true for the global aerospace and defense industry, which has recently experienced massive market and supply chain disruptions from geopolitical events.

However, preparing and executing a footprint optimization strategy is a complex task with many factors influencing the outcome. Without proper analysis and planning, footprint optimization can cost more than it could potentially save.

This case study highlights how a thorough analysis set the foundation for an aerospace components manufacturer to develop an effective footprint optimization strategy.

## THE BACKGROUND

### Situation:

- Prior footprint analyses and plans to fully optimize the North American footprint had failed to result in action
- The planned optimization included sites within three business units — Commercial Aerostructures, Defense Aerostructures and Aero-Engines
- Revenue was \$3.15B with an operating loss of \$246.6M
- Losses were driven by COVID-19's impact on the commercial aviation industry

### Complications Leading to Situation:

- The company had grown through acquisitions without proper integration
- Due to the pandemic, the defense business faced supply chain shortages and there was low demand for commercial products
- Aging facilities and underinvestment in infrastructure, as well as insufficient data availability, and quality challenges led to poor performance

## THE CHALLENGE & OUR APPROACH

A lack of alignment led to unrealized footprint optimization efforts prior to COVID-19, but post-pandemic revenue loss meant the client had to drive an actionable footprint rationalization plan. A&M took the following actions to fully assess the issues and footprint options.

- Conducted site-level performance reviews as well as labor and facility capability and capacity assessments
- Assessed products and their associated contracts to understand profitability, remaining contract periods of performance and the potential for performance improvement remedies for underperforming contracts
- Triaged all products at each site to determine what to retain, improve or exit
- Determined what products could and should be moved and layered that against their associated manufacturing process requirements
- Identified one-time costs to consolidate facilities and reviewed plant and product contracts to understand customer and governmental constraints as well as approval requirements
- Developed comprehensive evaluation of one-time costs — such as retention, severance, construction, buffer stock, process and part requalification costs — as well as the duplicate costs of moving manufacturing operations

## RESULTS DELIVERED



### \$60M+ Annual recurring savings

- Aligned executive leadership and the Board on the need to take action now, exit unprofitable products and close underperforming facilities
- Consolidated four facilities into the remaining footprint, releasing 2.5M square feet of excess production space with a detailed 24-month execution roadmap
- Reduced margin erosion by delivering annual savings from reduced overhead costs and underperforming contracts, moving EBITDA from negative to positive
- Tied each cost element to corporate cost accounts and financial budgets to manage and drive action to realize desired outcomes
- Leveraged A&M's full capabilities — including Manufacturing, Operations, Supply Chain, IT and Technology, Tax and others — to deliver a holistic solution that was ready to execute

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 footprint optimization to transaction support, operational enhancement and capital efficiency, our approach consistently delivers substantial improvements and solid returns for our clients.



## Authors



**Jon Bartnick** | Director  
(404) 989-8215  
[jbartnick@alvarezandmarsal.com](mailto:jbartnick@alvarezandmarsal.com)



**James Marceau** | Managing Director  
(617) 834-9463  
[jmarceau@alvarezandmarsal.com](mailto:jmarceau@alvarezandmarsal.com)

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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 10,000 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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