

# Insync Supply Chain Management Value Proposition



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A Value Proposition provides a high level estimate of cost reduction and value creation opportunities

It is not meant to be an exhaustive prediction of actual operational improvements, but rather an estimate based on financial statements and observed results at other companies.

The Value Proposition will

- Identify value creation opportunities
- Quantify the value creation potential

# Supply Chain Value Opportunities

Supply chain improvements generate numerous opportunities:

Supply Chain	Customer Management	Supplier Management
<p><b>Inventory</b></p> <ul style="list-style-type: none"> <li>■ The value of reduced inventory through improved planning and scheduling</li> </ul> <p><b>Manufacturing</b></p> <ul style="list-style-type: none"> <li>■ Estimated savings from improved ability to schedule production through forecasting collaboration</li> </ul> <p><b>Logistics</b></p> <ul style="list-style-type: none"> <li>■ Reduction of transportation costs through better timing of shipping and receiving products</li> </ul> <p><b>Spares Inventory</b></p> <ul style="list-style-type: none"> <li>■ Ability to deliver the right products to the market place in a more timely fashion through improved SCM</li> </ul>	<p><b>Selling Expenses</b></p> <ul style="list-style-type: none"> <li>■ Value creation from improved sales force management and sales administration</li> </ul> <p><b>Margin Increases</b></p> <ul style="list-style-type: none"> <li>■ Ability to gain improved margins and selling of higher margin products</li> </ul> <p><b>Turnover Improvements</b></p> <ul style="list-style-type: none"> <li>■ Improved selling activities enables ability to target new potential customers with right products</li> </ul>	<p><b>Direct Materials</b></p> <ul style="list-style-type: none"> <li>■ Value driven by the ability to find a lower cost supplier and the ability to collaborate with suppliers</li> </ul> <p><b>Indirect Materials</b></p> <ul style="list-style-type: none"> <li>■ Value driven by the ability to find a lower cost supplier and the ability to collaborate with suppliers</li> </ul> <p><b>Procurement Expenses</b></p> <ul style="list-style-type: none"> <li>■ Reduce the time from requirement to fulfillment and administrative resources to meet the demand</li> </ul>

# Assumptions of the Value Proposition

The Value Proposition is based on audited financial information, analyst reports, news articles, ISCM experience in related industries, and ISCM analysis

Assumptions are based on lack of previous significant supply chain enhancement activity in each of the improvement categories

Assumptions are determined across 15 industry categories, and in this case using high technology as the baseline

Metals

Retail/Wholesale

Paper

Aerospace

CPG

Consumer Electronics

Automotive

Pharmaceuticals

Medical Products

Energy & Chemicals

High Technology

Logistics

Industrial Products

Telecom Providers

Telecom Equipment

# The Value Proposition is based on 3 categories of assumptions

## Technology & Supply Chain Improvements

- Improvement assumed for each value bucket based on exploiting available technology or best in class supply chain practices
- The degree of improvement is based on SCD experience and previous results

## Industry Data

- Insight to companies based on calculated assumptions of industry specific components of COGS, Inventory and Operating Expenses
- Based on industry trends and samples of top companies within each segment

## Industry Impact

- Assumed magnitude of improvements on each value bucket for each industry
- Assumptions are based on customer experiences of similar companies and industries

# Value Prop Baseline ...

Data obtained from 2014 Report

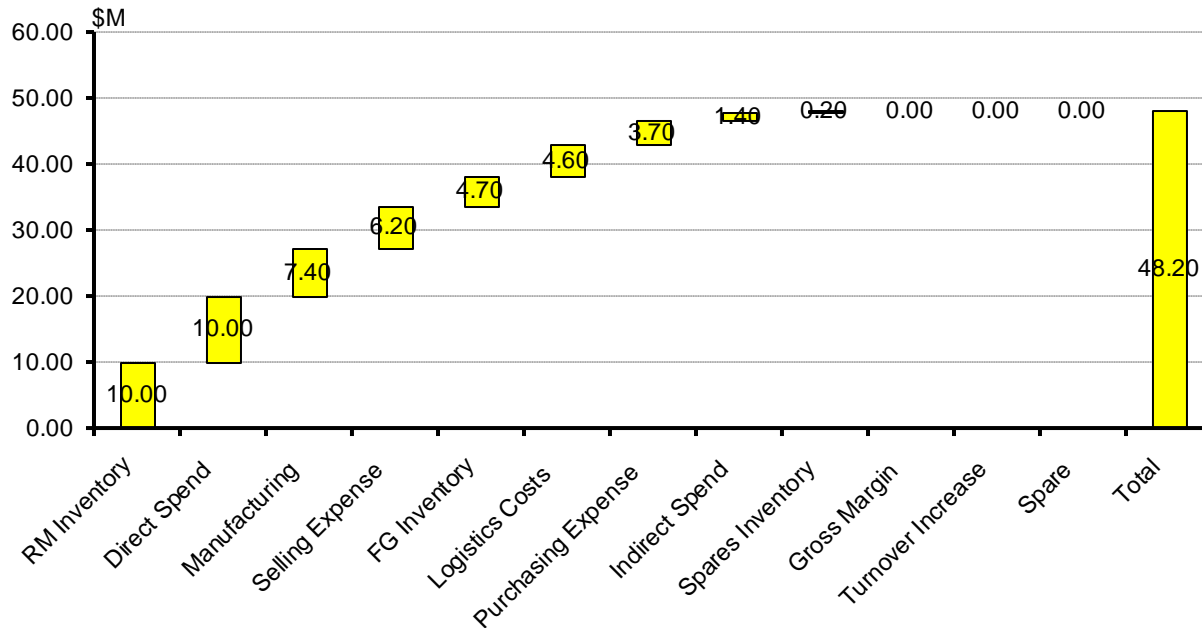
Assumptions made on

- Indirect Purchasing
- Procurement Expense

Income Statement					Industry Norms		
	\$	%	\$	\$	%	\$	\$
<b>Total Sales</b>	767			766.8			766.8
<b>Cost of Goods Sold</b>				386.1			414.1
Direct Materials	219		219.3			289.9	
Manufacturing Cost	128		127.9			62.1	
Logistic Cost	21		20.7			20.7	
Indirect Materials	18		18.3			41.4	
<b>Gross Margin</b>		49.64%		380.7	46.00%		352.7
<b>Operating Expense</b>				253.9			245.4
Selling Expense	112		111.5			61.3	
Procurement Expense	25		24.5			24.5	
Other Operating Expense	118		117.8			159.5	
<b>Other Expenses</b>				0.0			0.0
<b>Other Income</b>	11			11.2			0.0
<b>EBIT</b>		18.00%		138.0	14.00%		107.4
Asset Calculation					Asset Calculation		
<b>Assets</b>	947.365			947.4			1180.9
<b>ROA</b>				0.15			0.09
Inventory Calculation					Inventory		
<b>Inventory Value</b>				202.0			53.7
Raw Materials	135.6		135.6			13.4	
WIP	2.9		2.9			21.5	
Finished Goods	58.7		58.7			13.4	
Spare parts	4.9		4.9			5.4	
<b>Inventory Days</b>				96			26
<b>Inventory Turns</b>				3.8			14.3

# Potential Cost Reductions and Increased Revenue

Potential savings by type are spread across many buckets, with increased value derived from both lower costs and increased revenues ...



... totaling a potential opportunity of approximately \$50 Million per annum

# The new income statement

The revised income statement and asset/inventory calculations reveal significant cost reductions and value creation opportunities:

- 7% improvement in Gross Margin
- 27% improvement in EBIT
- 8% improvement in ROA
- 58% improvement in Inventory Turns

Income Statement					
	Today		Future		Change
		\$		\$	
<b>Total Sales</b>		766.8		766.81	0.0%
<b>Cost of Goods Sold</b>		386.1		357.9	-7.3%
Direct Materials	219.3		209.2		
Indirect Materials	18.3		16.9		
Manufacturing Costs	127.9		120.5		
Logistic Costs	20.7		16.1		
Inventory Carrying Cost	-		-4.9		
<b>Gross Margin</b>		380.7		408.9	7.4%
<b>Operating Expense</b>		253.9		244.1	-3.9%
Selling Expense	111.5		105.4		
Purchasing Expense	24.5		20.8		
Other Operating Expense	117.8		117.8		
<b>Other Expenses</b>		0.0		0.0	
<b>Other Income</b>		11.2		11.2	
<b>EBIT</b>		138.0		176.1	27.6%

Asset Calculation				
<b>Assets</b>	947.4		873.2	-7.8%
<b>ROA</b>	0.15		0.20	38.5%

Inventory Calculation				
<b>Inventory Value</b>	202.0		127.9	-36.7%
<b>Inventory Turns</b>	3.80		6.00	58.0%