Restoring the shine ...

Background

The Company has been a family owned and operated business since 1948. It is the largest independent electroplater serving the global automotive industry. The Company's polished and plated products are seen on some of the world's most sought-after vehicles, from the newest Harley-Davidson to a Ford pick-up truck or a BMW SUV.

The company's fortunes are tightly coupled with the struggling North American automotive industry, which has addressed its own profitability issues by sourcing components from low-cost overseas suppliers and seeking price concessions from current suppliers.

As a result, the company's revenues decreased by over 30% over three years. Significant personnel cuts reduced the company's SG&A costs; however, these cuts did not sufficiently offset slumping revenues and shrinking margins.

The company was in default of its loan covenants and was expected to run out of cash in less than 60 days. At that time, the company's lender required them to engage a consultant to help with a turnaround plan. After a selection process, the company engaged The Keystone Group.

Keystone Value Add

Keystone initially conducted a brief Diagnostic Review of the business, in order to identify the root causes for the underperformance and to identify and prioritize improvement initiatives to address the issues.

The recommendations lead to a series of initiatives to resolve immediate profitability & cash issues; then resolve core business issues.

Address the Immediate Issues

Initially, the team reduced payroll costs with temporary salary and overtime reductions, stretched out supplier payments, increased the term loan and got an infusion of cash from the owners equal to the amount of the increased loan. These steps got The Company through the next few months, buying time to implement the fundamental changes required to sustainably improve the business.

Fixing the Core Business

Improving the business was expected to be more difficult. The team planned for a return to profitability within seven months. The turnaround plan focused on:

- reducing plating reject rates across all business units
- increasing labor productivity and managing labor costs
- reducing production material costs
- implementing surcharges
- improved cost analyses and pricing
- expanding the reduction of fixed costs
- stemming the decline of the top line
- increasing currency hedging

Results

The Company reached breakeven within four months after beginning the implementation of the turnaround initiatives. This was three months ahead of the schedule in the turnaround plan.

Even more significant is how the turnaround strengthened the company to be able to weather two external events that might have bankrupted it in the past:

- a month-long Harley Davidson strike with a negative cash impact
- the continued rise in the cost of nickel

The company maintained its profitability through its improved financial position and operational management, transforming previously "life-threatening" issues into the everyday challenges of running a manufacturing business today.