

Packing Up Procurement Synergies

The Company

The company was an integrated manufacturer of consumer and industrial packaging. It was looking to expand its operational footprint to the West Coast in order to improve its ability to satisfy its West Coast customers and generate significant operating efficiencies across its national system.



The Situation

As a long-time client, the company had engaged Keystone to manage prior acquisitions. For this project, the company agreed to buy its first facility located on the West Coast, with a purchase price in excess of \$300 million. Keystone was engaged again to help maximize the synergies of the deal.

Keystone was brought in before the final closing of the transaction, which enabled the company to be as prepared as possible to quickly convert synergy opportunities when the deal closed.

The Approach

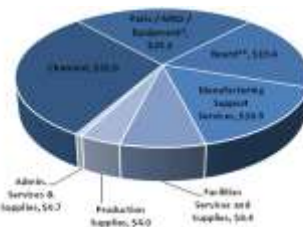
Keystone was tasked with determining the value of procurement synergies from utilizing the best pricing between the two entities. Keystone analyzed A/P and PO data for both companies across the

following categories: chemicals; parts/MRO; production and administrative supplies; and manufacturing, facility, & administrative services.

Since the project occurred prior to the close of the deal, the companies were not permitted to share proprietary pricing information. To overcome this obstacle, Keystone acted as a confidential “clean room” between the client and the target. This enabled Keystone to complete the analysis and prepare detailed transition information prior to close. As a result, the company would have the tools necessary to take action immediately after close, accelerating the achievement of synergies by months.

Key steps included:

- Obtaining and cleansing the target’s spend information from its accounting system
- Classifying the target’s vendors into families and categories based on the client’s taxonomy structure



- Compiling detailed spend and pricing information from the target’s top parts and MRO suppliers
- Determining the target’s pricing and usage for its top chemicals by spend and estimating pricing and freight with the client’s national chemical vendors
- Identifying and analyzing pricing differences based on last purchased price for exact chemical and parts/MRO

matches, leveraging vendor overlaps between the two companies

- Comparing estimated labor rates by position between the target’s manufacturing and facility service vendors and the client’s national service vendors

Position	Singos	AKT	Difference %
Field Supervisor	847.00	862.26	-4%
Utility Worker	899.00	896.26	13%
Project Foreman	859.00	834.75	15%
Equipment Operator	849.00	831.75	15%
Technician	840.00	841.25	3%
UIB Hydroblaster	898.00	812.50	29%
DOB Hydroblaster	898.00	8170.00	-67%
UIB Hydroblaster	8289.00	8382.50	12%
Average			21%

- Developing execution plans for each family and category to be shared with the client’s category managers in order to realize synergies immediately post-close

The Results

After completing the synergy due diligence, Keystone identified annual savings 4x greater than the company’s initial procurement synergy target. Immediately after the close, Keystone assisted in transferring the full detailed pricing information over to the client’s category managers and obtaining more complete spend information from the target’s vendors.

As of this writing, the company is converting the acquisition’s purchases to the new prices and vendors identified by Keystone.