



# Manufacturing Supply Chain Stress

April 2020

# Executive Summary

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- **COVID-19 Fallout**– With operations in some areas suspended for more than a month, manufacturers are facing an unprecedented challenge. Major manufacturers, such as Automotive OEMs, have cut all US production capacity—plans on when to restart production have been delayed several times through public announcements.
- **Near Term Criticality**– Companies should review their supply base for critical components from plants that have or might shutdown, have low safety stock levels, and are under financial stress.
- **Supply Risk**– Companies should review their supply base for critical suppliers that will lose large amounts of revenue and have low cash levels. Suppliers' approaches to COVID-19 risk mitigation should also be reviewed. In addition to financial risk, companies with low cash levels may have additional difficulties rapidly reopening.
- **Production Restart**– Geographic clusters of restart dates will require suppliers to prioritize production timed to each OEM and production lines.
- **Supplier Financial Risk**– Companies will undergo varying degrees of stress if operations remain suspended over the next few weeks and months. Public and Private suppliers' financials should be reviewed to determine exposure to the industry, cash reserves, and available means of mitigation.

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## 1. Background & Supplier Impact

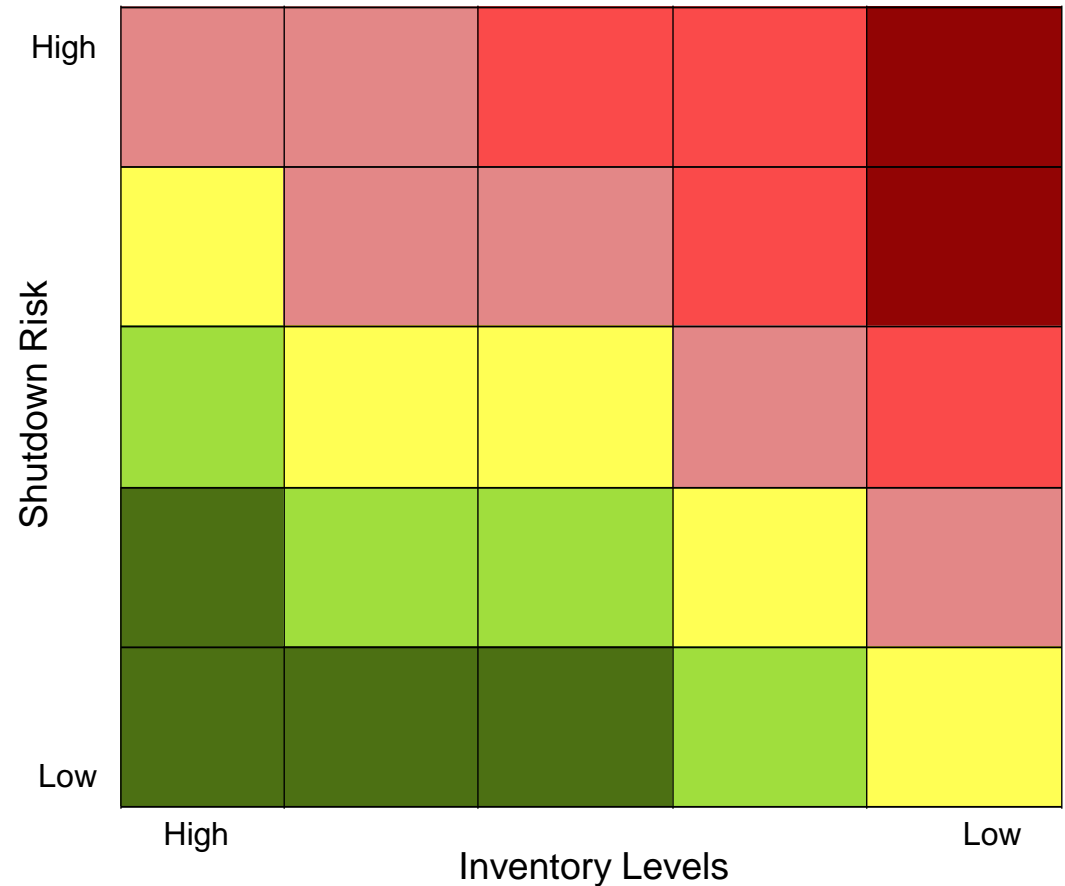
## 2. Cost & Capital Supplier Risk Approach

## 3. Reference Cases

# Supply Risk Assessment

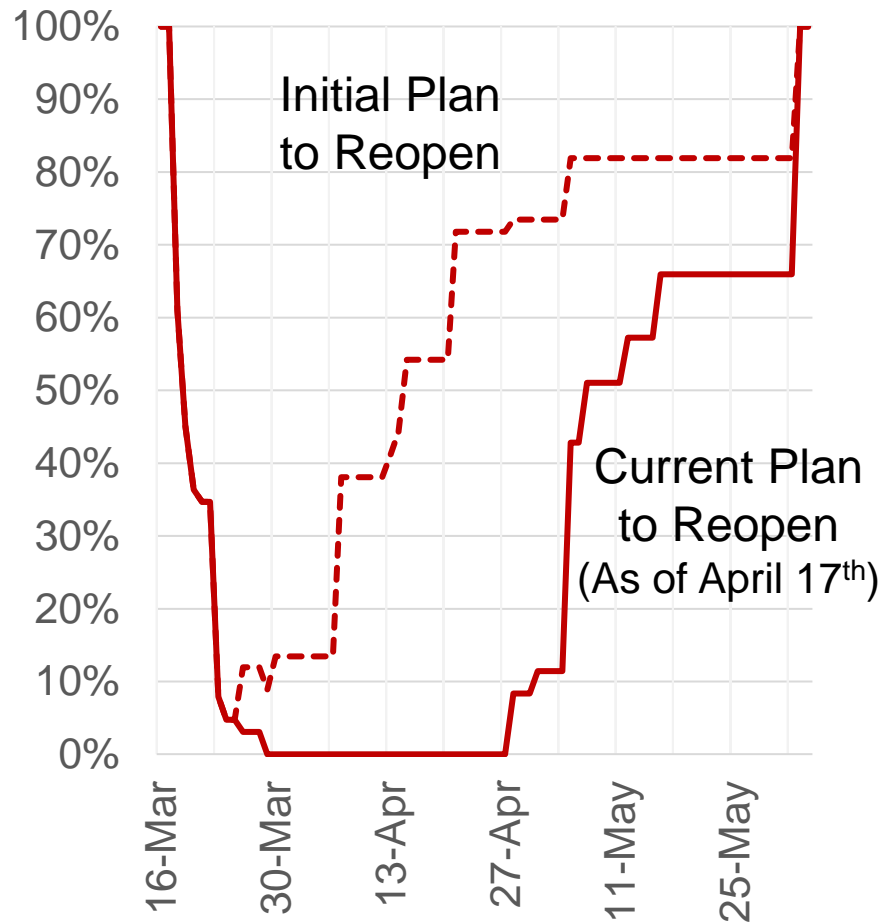
Companies should review their supply base for critical components from plants that have or might shutdown, have low safety stock levels, and are under financial stress.

- Resources should be focused on major suppliers as well as suppliers that provide supply-critical components
- Financial stress will increase as shutdowns become prolonged
- Working with manufacturing and engineering highlights critical components
- Working with supply chain highlights limited sources for critical components
- Efforts should be narrowed to the most critical suppliers



# Automotive Capacity Cuts and Planned Restarts

Automotive OEMs have cut all US production capacity—plans on when to restart production have been delayed several times through public announcements.

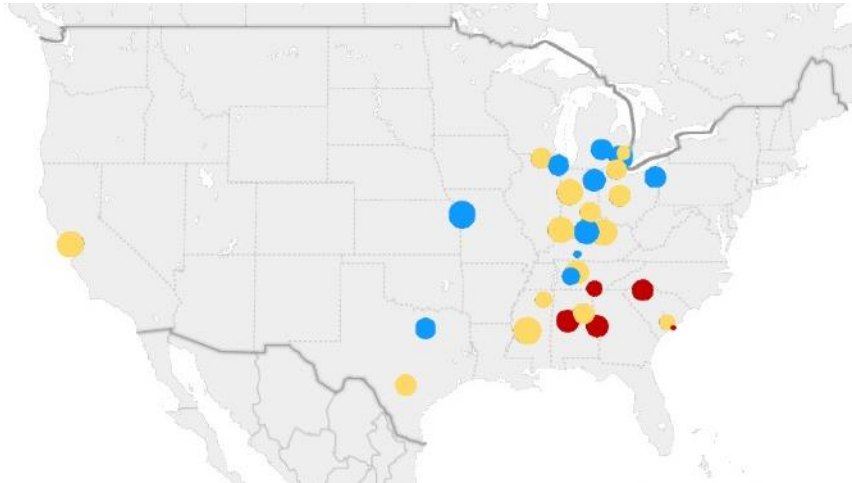


- GM and Ford have not publicly committed to restart dates
- Several OEMs located in the Southeast will likely delay planned restart dates as infection rates have been increasing in those areas
- OEMs are looking to balance securing production capacity with suppliers with the need to wait until plants can be safely opened
- Automotive shutdowns reflect similar actions being taken in other manufacturing-related industries

# Automotive Capacity Cuts and Planned Restarts

Planned restart dates tend to be more aggressive in the Southeast.

## US Automotive OEM Restart



- Plan to Open in April
- Plan to Open in May
- No Stated Restart Date

- Geographic clusters of restart dates will require suppliers to prioritize production timed to each OEM and production line
- Freight capacity between suppliers and OEMs will need to be managed to secure capacity timed to each restart

# Production Cut Analysis

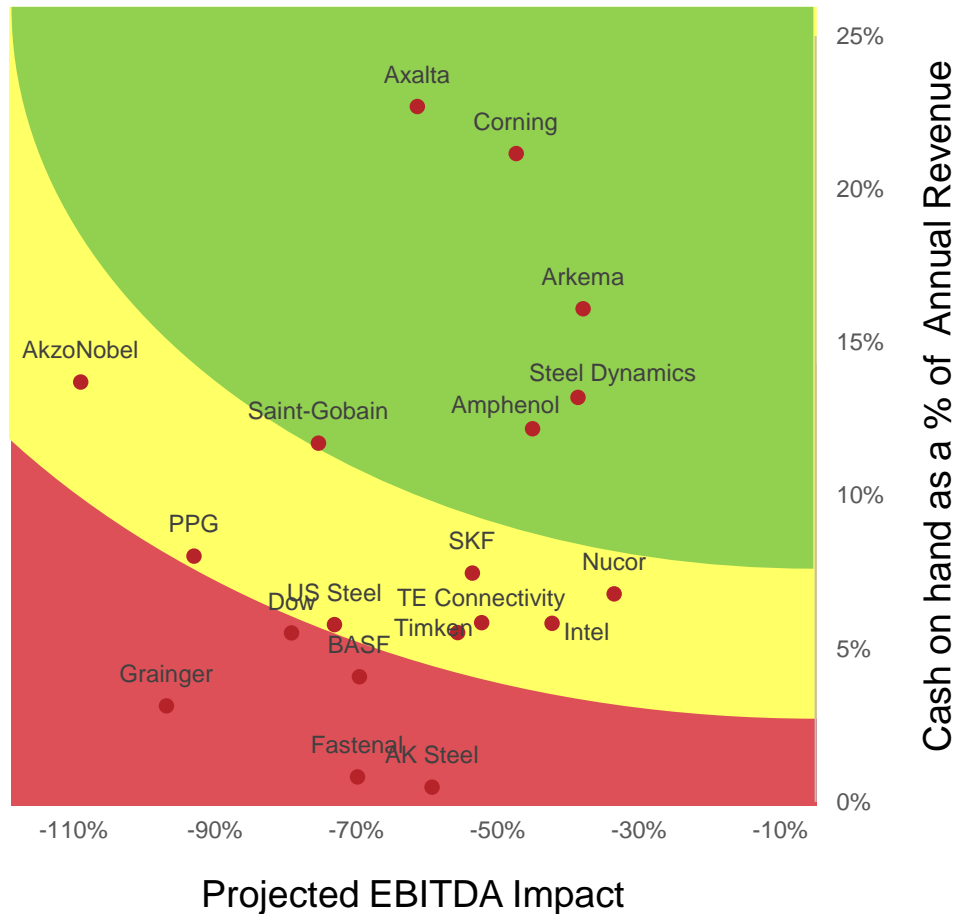
Companies started the year with large cash cushions and could easily cover interest payments. However, this will change if significant shutdowns continue.

	LT Debt / Equity	LT Debt / EBITDA	LT Debt Due in One Year	EBITDA / Interest Expense	EBITDA Margin	Current Ratio	(Cash + Credit) / Revenue	If 33% drop in Annual Revenue		
								EBITDA Margin	EBITDA / Interest Expense	Risk
AK Steel	412%	4.7	2%	2.9	7%	191%	8%	4%	1.2	High
AkzoNobel	31%	1.7	8%	15.8	13%	158%	33%	-2%	(1.4)	High
Amphenol	85%	0.6	10%	15.8	23%	199%	14%	19%	8.7	Low
Arkema	45%	1.6	22%	12.6	17%	198%	26%	15%	7.8	Low
Axalta	269%	4.5	1%	5.2	19%	240%	32%	11%	2.0	Moderate
BASF	35%	1.9	18%	16.6	13%	187%	14%	6%	5.0	Low
Corning	59%	2.8	0%	12.7	24%	212%	21%	19%	6.7	Low
Dow	113%	6.1	3%	2.8	6%	157%	23%	2%	0.6	High
Fastenal	13%	0.3	1%	85.5	22%	451%	16%	10%	25.8	Low
Grainger	93%	1.3	11%	19.0	13%	212%	10%	1%	0.6	High
Intel	33%	0.8	13%	67.2	46%	140%	20%	39%	38.8	Low
Micron	14%	0.4	4%	67.4	65%	274%	50%	83%	57.7	Low
Nucor	40%	1.6	1%	21.7	12%	334%	13%	12%	14.5	Low
NVIDIA	16%	0.6	4%	62.1	30%	767%	105%	14%	19.1	Low
PPG	84%	2.0	10%	17.5	15%	141%	23%	2%	1.2	High
Saint-Gobain	52%	2.2	15%	17.4	11%	135%	21%	4%	4.3	Moderate
SKF	35%	1.0	5%	17.2	15%	207%	7%	10%	8.0	Low
Steel Dynamics	67%	2.0	3%	10.3	12%	422%	25%	11%	6.3	Low
TE Connectivity	32%	1.3	14%	54.2	21%	164%	18%	15%	25.8	Low
Timken	84%	2.4	4%	9.4	18%	254%	19%	12%	4.2	Low
US Steel	89%	9.4	0%	2.7	3%	145%	21%	1%	0.7	High

Additionally, many companies have large long-term debt loads which could cause additional financial stress if waves of virus last 18-24 months.

# Production Cut Analysis

Companies will undergo varying degrees of stress if annual revenue declines 25%.

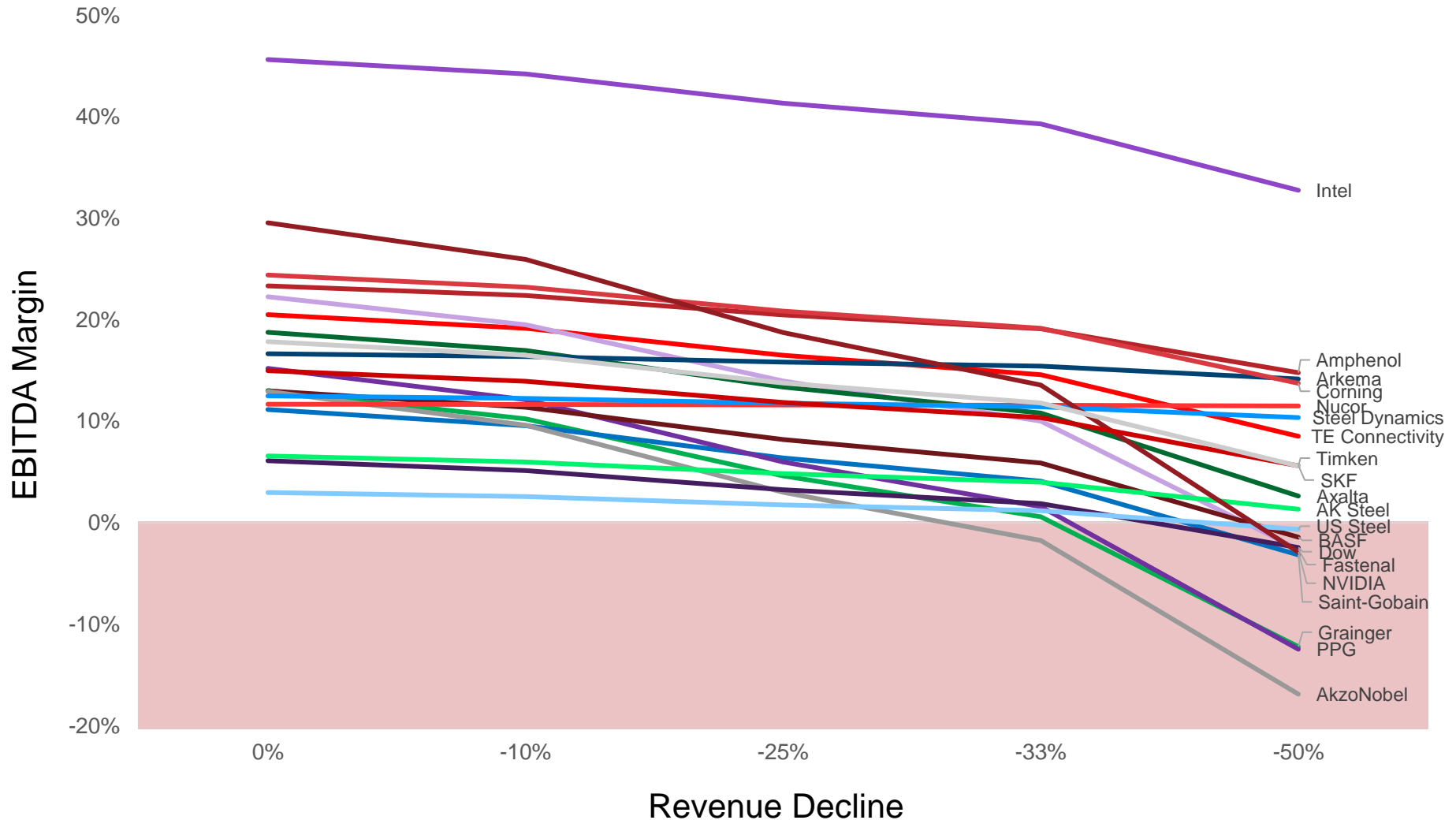


- Compared to the group, AK Steel, Fastenal, and Grainger have less of a cash cushion on hand
- Low cash cushions might make it more difficult for companies to rapidly reopen and ramp up operations
- Companies that need to raise additional capital may risk violating credit covenants



# Risk Exposure

Companies will undergo varying degrees of stress depending upon how much their revenue declines.



# Interest Coverage

Before the crisis, benchmarked companies could cover interest expenses<sup>1</sup>, however several may not be able to meet obligations if sales decline by more than 30%.

	Annual Revenue Decline							
	0%	-5%	-10%	-20%	-30%	-40%	-50%	-60%
AK Steel	2.9	2.6	2.3	1.8	1.3	0.8	0.3	(0.2)
AkzoNobel	15.8	13.2	10.6	5.4	0.1	(5.1)	(10.3)	(15.5)
Amphenol	15.8	14.8	13.7	11.5	9.4	7.2	5.0	2.9
Arkema	12.6	11.8	11.1	9.7	8.2	6.8	5.3	3.9
Axalta	5.2	4.7	4.2	3.2	2.3	1.3	0.4	(0.6)
BASF	16.6	14.8	13.1	9.6	6.1	2.6	(0.9)	(4.4)
Corning	12.7	11.8	10.9	9.1	7.2	5.4	3.6	1.8
Dow	2.8	2.5	2.1	1.5	0.8	0.1	(0.6)	(1.2)
Fastenal	85.5	76.4	67.4	49.3	31.2	13.1	(5.0)	(23.1)
Grainger	19.0	16.2	13.4	7.8	2.3	(3.3)	(8.9)	(14.4)
Intel	67.2	62.9	58.6	50.0	41.3	32.7	24.1	15.5
Micron	67.4	65.9	64.5	61.5	58.6	55.6	52.7	49.7
Nucor	21.7	20.6	19.5	17.3	15.1	12.9	10.7	8.5
NVIDIA	62.1	55.6	49.0	36.0	23.0	10.0	(3.0)	(16.0)
PPG	17.5	15.0	12.5	7.6	2.7	(2.2)	(7.1)	(12.1)
Saint-Gobain	17.4	15.4	13.4	9.5	5.5	1.5	(2.5)	(6.4)
SKF	17.2	15.8	14.4	11.6	8.8	6.0	3.2	0.4
Steel Dynamics	10.3	9.7	9.1	7.9	6.7	5.5	4.3	3.1
TE Connectivity	54.2	49.9	45.6	37.0	28.4	19.8	11.3	2.7
Timken	9.4	8.6	7.8	6.2	4.6	3.1	1.5	(0.1)
US Steel	2.7	2.4	2.1	1.5	0.9	0.3	(0.3)	(0.9)

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# Risk Identification

## Risk Assessment

- Review financial statements and analyze key metrics determine level of supplier risk
- Rank suppliers in terms of potential short term and long term stress
- Identify actions to address with the supply base, depending on level of risk

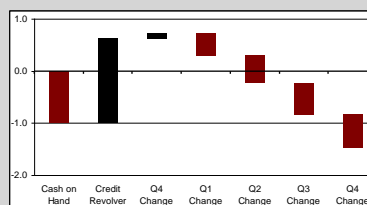
### Cash Burn Walk Chart

**Why:** Based on the revenue and fixed cost assumptions, the model estimated the quarterly cash burn rate for each supplier

**What to discuss with the supplier:** The assumptions estimate reduced revenue based on exposure to GM, Chrysler, and automotive in general. Discuss revenue projections, specific programs and new business awards. If they show a near-term default (cash below 0) determine what steps they are taking to secure additional cash i.e. debt, selling assets, etc.

**How to Calculate:** The model uses the supplier's most recent revenue, EBIT and fixed asset numbers to estimate forward quarterly revenue and costs resulting in quarterly cash flows

### Sample Cash Burn Walk Chart



### Supplier Detail Report – ArvinMeritor

#### Summary

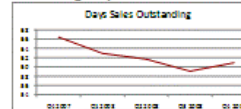
- ArvinMeritor will not be able to manage reduced volumes with their current access to liquidity
- Already highly leveraged, ArvinMeritor will need to look to bankruptcy protection

#### Constraints Analysis



### Supplier Detail Report – ArvinMeritor

#### Working Capital Performance



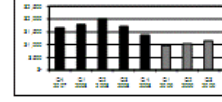
#### Uses of Cash for 2009



### Supplier Detail Report – ArvinMeritor

#### Diagnostics

##### Quarterly Revenue and Projection



##### Cash Position



##### Debt / (Debt + Equity)



#### Cash Metrics

LT Debt / Equity	1.2
Current Portion of LT Debt / Equity	0.2%
Current Ratio	2.28
Quick Ratio	2.28
LT Debt / Trailing EBITDA	4.23
Projected Change in Cash / Revenue for 2009	-12.1%
LT Debt Due in One Year	0.2%
Cash Requirement for 2009 / Cash on Hand	212.8%
Percent of Cash Requirement as Credit	122.8%
Cash and Cash Equivalents (\$M US)	100

#### Volume Metrics

Percent of Non-Distressed Customers	0.2%
Projected Q1 2009 Volume vs. Q4 2008	10.8%
Total 2009 Volume vs. 2008 Volume	85.2%

#### Operating Metrics

COGS / Sales	84.7%
SG&A / Sales	7.2%
R&D / Sales	0.1%
CAPEX / Sales	2.3%
Operating Margin	-12.1%
D/SO	0.0
DPO	0.0
D/SO / DPO	0.0
Days of Inventory	423
Fixed Asset Turnover	1.54

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Cost & Capital

# Supplier Engagement

## Supplier Interviews

- Determine proper topics to address for both public and private suppliers to gauge financial risk
- Quantify supplier initiatives to reduce cash burn rates to maintain solvency
- Identify ownership structures and financing for private companies
- Calculate credit revolver covenants and understand supplier cash consequences for default
- Apply standard templates to collect financials from private suppliers

Enter Data in millions

P&L Data	Q1 2009	Q4 2008	Q3 2008	Q2 2008	Q1 2008	Q4 2007
Revenue						
COGS						
Depreciation						
EBIT						

Balance Sheet Data	Q1 2009	Q4 2008	Q3 2008	Q2 2008	Q1 2008	Q4 2007
Cash and Equivalents						
Accounts Receivable						
Inventory						
Total Current Assets						
Accounts Payable						
Current Portion of Long-Term Debt						
Total Current Liabilities						
Long Term Debt						
Equity						

Cash Flow Data	Q1 2009	Q4 2008	Q3 2008	Q2 2008	Q1 2008	Q4 2007
Net Income						
Depreciation						
Changes in Working Capital						
Cash Flow - Operating Activities						
CAPEX						
Debt - Net Issuance						
Cash Flow - Financing Activities						
Net Change in Cash						

*Financials*

Customer mix

Select industry from the drop down and include a percentage

1		0%
2		0%
3		0%
4		0%
Other		0%

Enter the amount of sales to the following industries in terms of a percent

Q2 2013

*Customer Mix*

Document all covenants

Document source of liquidity  
(i.e. financial institution, private investors, etc.)

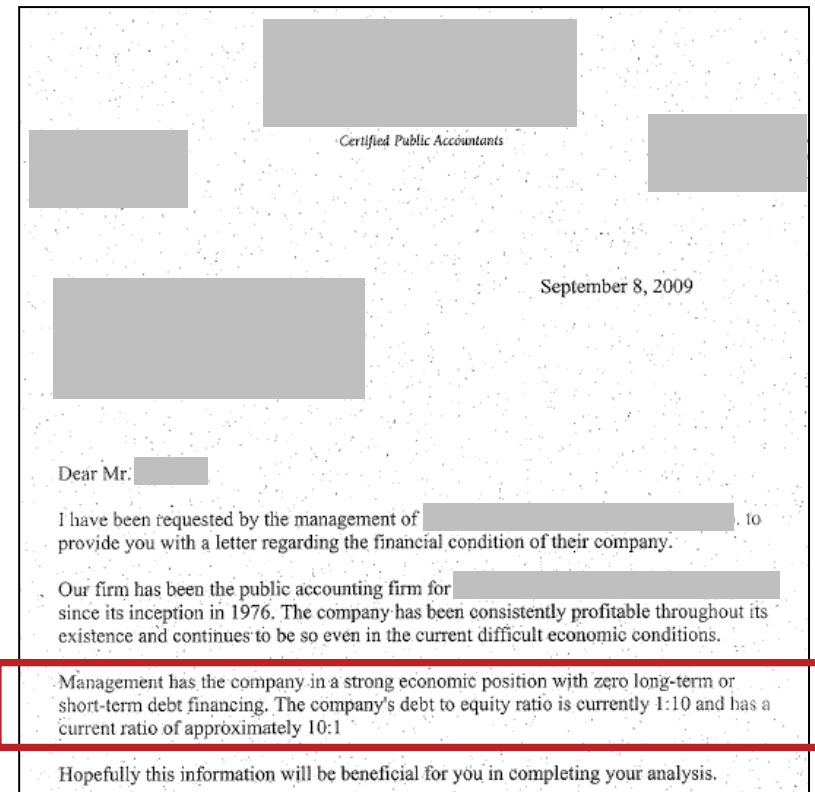
*Liquidity*

# Private Supplier Assessment

## Gut Check Data Received

- Suppliers may view this data request as unimportant and simply provide information to make the problem go away
- Thus, the materials provided will likely have unintentional missing information, incorrect information, or contradictory information

## Examples



# Supplier Engagement

	Liquidity	Viability	Volume
What to Ask	<ul style="list-style-type: none"> <li>• Credit covenants</li> <li>• Sources of short term cash</li> <li>• Ownership of equity and their access to capital</li> </ul>	<ul style="list-style-type: none"> <li>• Manufacturing footprint (e.g. components from sties deemed 'nonessential')</li> <li>• Stability of contracts</li> <li>• Sole sourced components</li> </ul>	<ul style="list-style-type: none"> <li>• Capacity reduction</li> <li>• Cash management</li> <li>• Safety stock levels</li> </ul>
Key Data	<ul style="list-style-type: none"> <li>• Interest Coverage</li> <li>• CAPEX limits</li> </ul>	<ul style="list-style-type: none"> <li>• Quantify initiatives and timing for cost reduction activities such as SG&amp;A reduction, plant consolidation and business segment disposition</li> </ul>	<ul style="list-style-type: none"> <li>• Cash Conversion Cycle</li> <li>• Working capital initiatives</li> </ul>

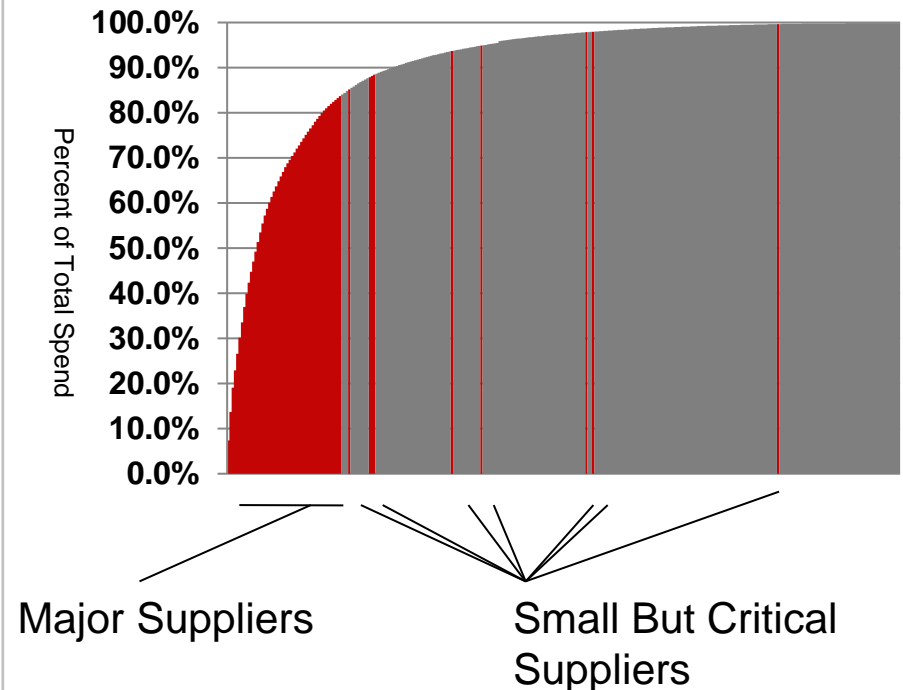
# Supplier Prioritization

Risk assessment can be prioritized for large as well as small but critical suppliers.

## Prioritized Approach

- Resources should be focused on major suppliers as well as suppliers that provide supply-critical components
- Working with manufacturing and engineering highlights critical components
- Working with supply chain highlights limited sources for critical components
- Efforts should be narrowed to the most critical suppliers

## Supplier Focus by Spend





# Supply Continuity

A daily call is critical as conditions are changing rapidly.

COVID-19 Readiness and Impact Scorecard													
Supplier Name		Date of last interview				State		City		Zip Code			
		March (Sample Data)											
		16	17	18	19	20	23	24	25	26	27	30	31
Absentee Rate		3%	3%	2%	5%	5%	9%	8%	3%	12%	15%	13%	
On-Site Procedures													
	PPE - Facemask		No	No	No	No	No	No	No	No	No	No	
	PPE - Gloves	No	No	No	No	No	No	No	No	No	No	No	
	Social Distancing	No	No	No	No	No	No	No	No	No	No	No	
	Temperature Check	No	No	No	No	No	No	No	Yes	Yes	Yes	Yes	
	Paid Sick Leave	No	No	No	No	No	No	No	No	No	No	No	
State / Local Restrictions													
Deemed Essential		Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	
	No Restrictions	Yes	Yes										
	Non-Essential Businesses		Yes	Yes	Yes	Yes	Yes	Yes	Yes				
	Stay At Home Order									Yes	Yes	Yes	
Local Rate of Infection		0.03%	0.03%	0.04%	0.06%	0.07%	0.08%	0.10%	0.12%	0.13%	0.16%	0.20%	
Tier 2 Supplier Assessment		Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	

A standardized and consistent approach to critical suppliers will identify trends and sounds alarms when conditions deteriorate.

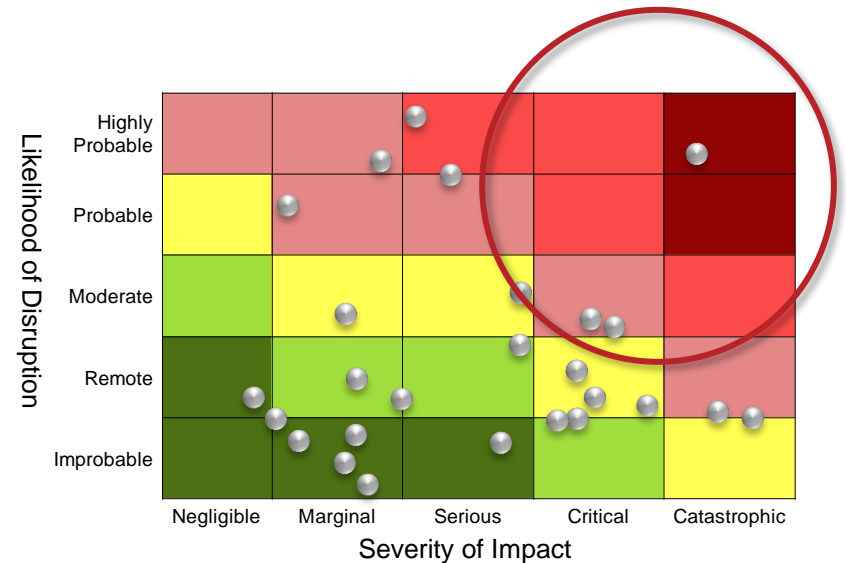
# Risk Management Playbook

Developing counter measures for the riskiest suppliers

## Focus Area

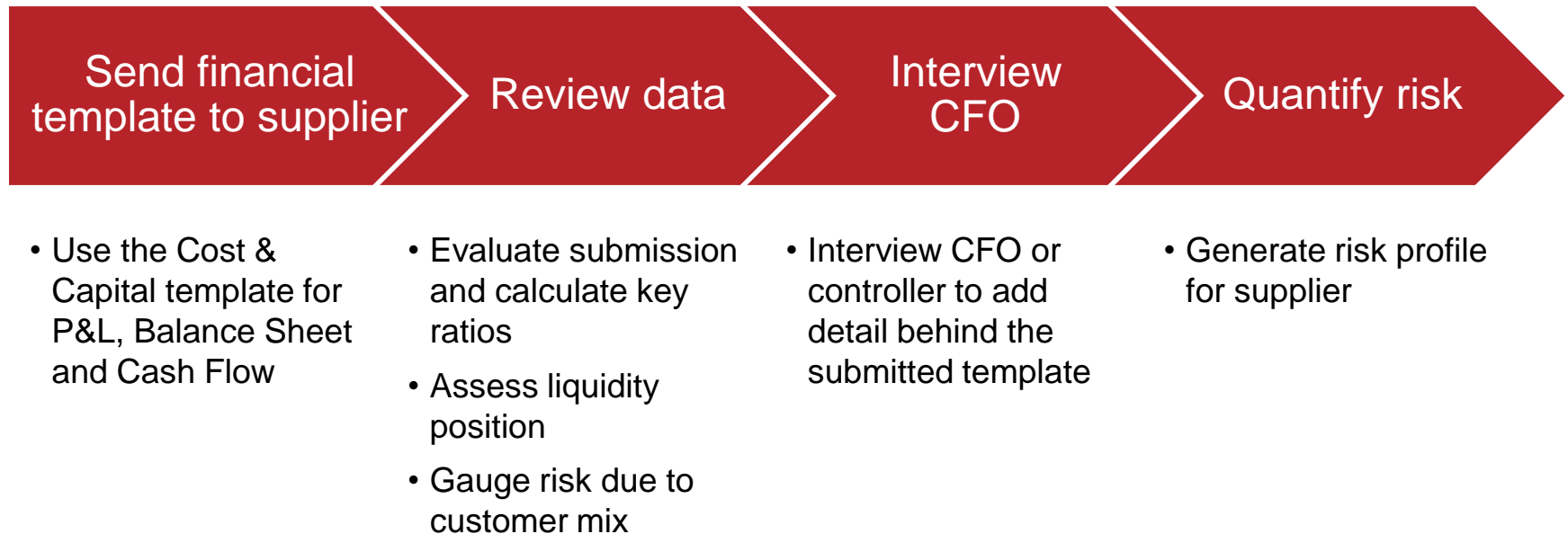
- Cost and Capital will work to develop risk mitigation playbooks for the identified high-risk, high-impact suppliers
- For each identified supplier, a specific contingency roadmap will be created with event triggers and defined countermeasures

## Criticality Matrix



# Private Supplier Process

## Cost & Capital's private supplier evaluation



# Sample Supplier Detail Report

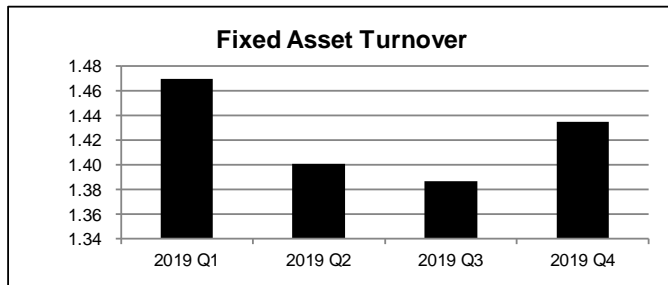
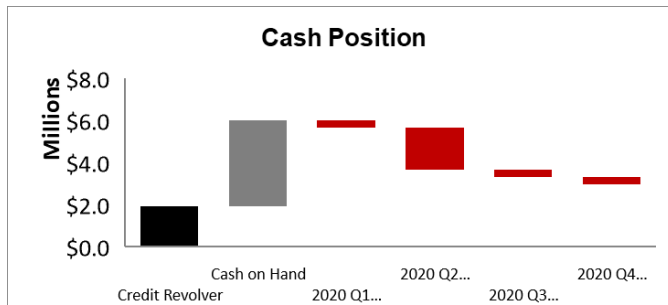
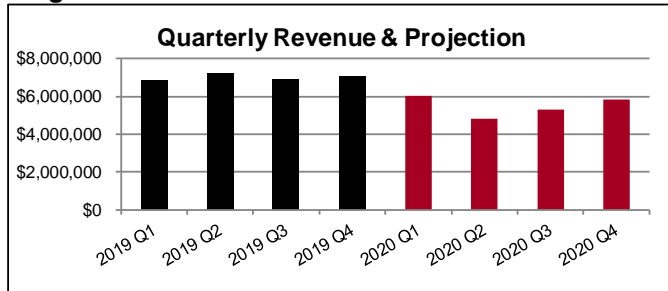
## ABB

	LT Debt / Equity	LT Debt / EBITDA	LT Debt Due in One Year	EBITDA / Interest Coverage	EBITDA Margin	Current Ratio	NTM Cash Required / (Cash + Credit)	(Cash + Credit) / Revenue	Z-Score	Risk
ABB	67.0%	12.0x	25%	3.5x	2.7%	131%	51%	21%	1.53	Moderate
Nidec	69.7%	12.5x	12%	5.7x	3.6%	145%	54%	15%	1.60	Moderate
Regal Beloit	48.4%	11.8x	0%	1.8x	3.0%	287%	0%	23%	1.85	Moderate
Yaskawa	79.9%	42.2x	25%	6.0x	1.0%	189%	7%	10%	2.07	Moderate
WEG	26.2%	3.2x	41%	9.1x	5.3%	217%	19%	25%	1.71	Remote
Emerson	71.3%	7.7x	33%	3.8x	4.2%	114%	41%	28%	3.01	Remote
Ametek	54.1%	7.7x	18%	4.1x	7.0%	142%	0%	27%	1.90	Remote

# Sample Supplier Detail Report

## ABB

### Diagnostics



### Cash Metrics

LT Debt / Equity Ratio	0.67
Current Portion of LT Debt / Total Capital	0.10
Current Assets / Current Liabilities	1.31
LT Debt / Trailing EBITDA	11.98
Percent of Debt Due in One Year	25.2%
Projected Change in Cash / Revenue NTM	(13.9%)
Cash Requirement NTM / Cash on Hand	74.5%
Cash Requirement NTM / Available Credit	161.5%
Cash Requirement NTM / (Cash + Credit)	51.0%
Cash and Cash Equivalents / Revenue NTM	18.6%
Credit Revolver Available / Revenue NTM	8.6%

### Volume Metrics

Projected FY 2020 Volume vs. FY 2019	78.8%
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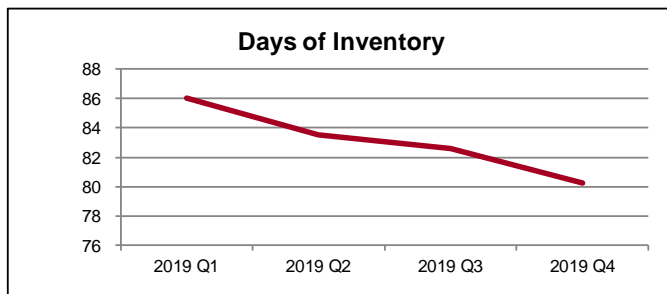
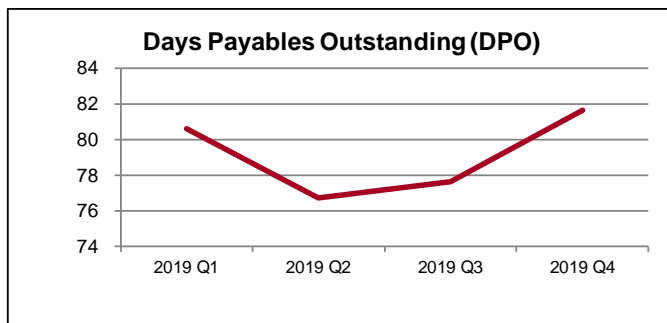
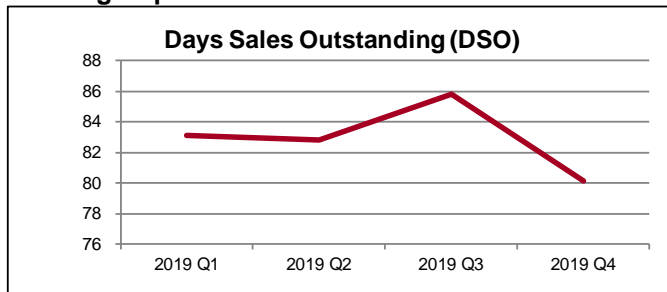
### COGS / Sales

SG&A / Sales	19.3%
CAPEX / Sales	3.3%
Operating Profit Margin	7.2%
Days Sales Outstanding (DSO)	80.1
Days Payables Outstanding (DPO)	81.6
DSO / DPO	1.0
Days of Inventory	80.23
Cash Conversion Cycle	78.7
Working Capital Turnover	1.11
Fixed Asset Turnover	1.44

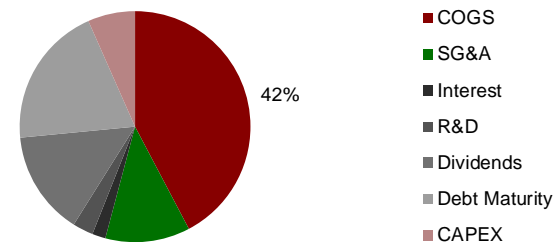
# Sample Supplier Detail Report

## ABB

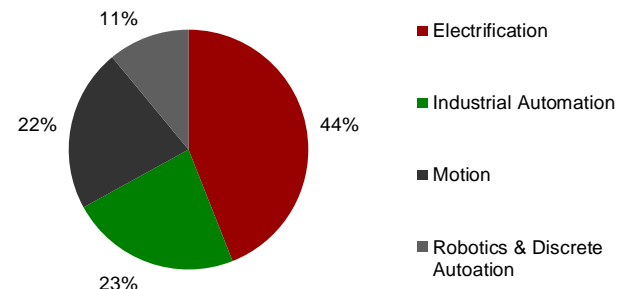
### Working Capital Performance



### Uses of Cash

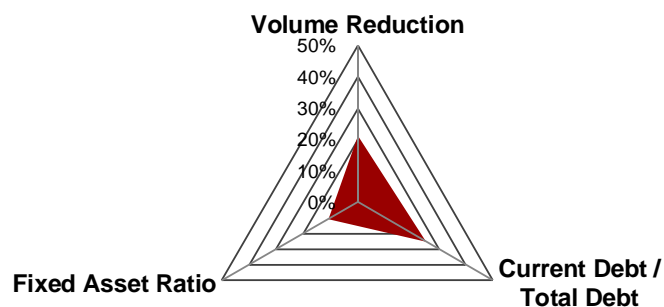


### Customer Mix



# Sample Supplier Detail Report

## ABB



<b>Z Score</b>	<b>1.53</b>
Working Capital / Total Assets	0.13
Retained Earnings / Total Assets	0.43
EBIT / Total Assets	0.05
Market Value fo Equity / Total Liabilities	0.00
Revenue / Total Assets	0.61

<b>NTM Projected C&amp;CE Score</b>	<b>3.78</b>
Cash Flow / Revenue	3.0%
Cash Flow / Capital Employed	13.5%
Cash Flow / Debt	7.4%
Cash Flow / Current Liabilities	3.3%
Cash Flow / Equity	4.9%
Cash / Capital Employed	82.8%
Cash / Debt	45.4%
Cash / Current Liabilities	20.3%
Cash / Equity	30.4%

- 
1. Background & Supplier Impact
  2. Cost & Capital Supplier Risk Approach
  3. Reference Cases



# Cost & Capital Partners Introduction

- **Cost & Capital Partners focuses on the two most critical levers for shareholder value today - **Cost Efficiency** and **Capital Efficiency****
  - Cash should be treated as the valuable resource it is
  - Spend management preserves cash
  - Capital efficiency frees cash trapped in traditional operations
- **We deliver results – not just recommendations, each and every time**
  - We stand behind our recommendations and prefer to be involved in implementation
  - We conduct negotiations on behalf of our clients
  - We are passionate about our work and the results
  - We work with our clients to implement the changes required to improve the business

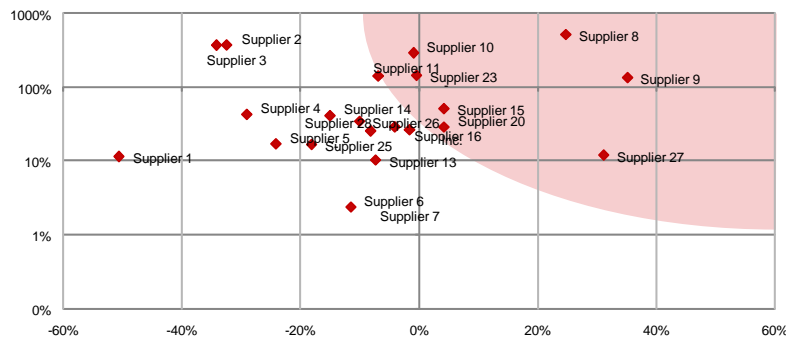
## Previous project work



# Reference Case

## Risk Management

### Packaging – Chemicals



### Engagement Overview

- Cost & Capital was asked to review risk factors for packaging suppliers for a maker of lawn and garden care products
- The team analyzed and audited packaging suppliers to determine the level of risk in the supply chain due to financial strain, capacity and cost reduction initiatives
- Suppliers were segmented into low, medium, high and critical risk suppliers
- Detailed agendas were created to engage the suppliers and develop risk mitigation plans

# Reference Case

## Risk Management

### Supplier Risk Management – Industrial Equipment

Rating	Financial Ratio	Value	Comment
	Annual Volume Change	(13.0%)	
	EBITDA Margin	1.5%	Very low cash generation from operations
	Debt to Assets	NA	5.1MM debt (25% of sales)
	Debt to Equity	(0.83)	Negative equity levels suggest financial distress
	Debt Due in One Year	31.9%	Large debt principal payment due in next 12 months
	(Cash + Credit) / Revenue	(0.5%)	No cash on hand and company did not disclose available credit line
	Current Ratio	1.53	Working capital ratios show signs of financial distress
	Interest Coverage Ratio	< 0	
	Debt to EBITDA Ratio	14.41	
	Quick Ratio	0.63	

Annual Volume Change	EBITDA Margin	Debt to Assets	Debt to Equity	Debt Due in One Year	(Cash + Credit) / Revenue	Current Ratio	Interest Coverage Ratio	Leverage Ratio (Debt / LTM EBITDA)	Quick Ratio	Assessment
(13.9%)	7.2%	1.35	(3.89)	18.8%	(0.6%)	1.70	1.61	5.65	1.09	Critical
(13.0%)	1.5%		(0.83)	31.9%	(0.5%)	1.53	<0	14.41	0.63	Probable
(43.0%)	3.5%				4.4%	2.80	5.00		1.54	Moderate
(39.6%)	5.4%	1.56	(2.80)	57.1%	1.7%	0.71	1.94	5.35	0.44	Moderate
(15.3%)	0.6%	0.61	1.54	9.5%	10.4%	1.56	0.43	18.50	0.94	Moderate
(26.1%)	9.7%	0.14	0.16	41.7%	0.0%	0.61	8.59	0.55	0.29	Remote
(9.7%)	(3.6%)	0.47	0.97	0.7%	29.7%	1.14	<0		0.51	Remote
6.4%	6.2%	0.44	0.79	19.9%	4.6%	1.19	7.08	1.06	0.73	Remote
(13.3%)	2.8%	0.21			9.0%	3.40			1.33	Remote
(26.5%)	1.3%	0.40	0.66	0.2%	4.1%	2.83	1.46	6.90	1.67	Remote
		0.00	0.00	NA	1.5%	3.66	NA	NA	2.16	Remote
(45.2%)										Remote
(10.7%)	2.4%	0.00	0.00	NA	4.4%	10.48	NA	0.00	7.14	Remote
(33.3%)	0.7%	0.15	0.17	3.8%	27.6%	1.83	NA	3.64	1.06	Remote
(21.1%)		0.00	0.00	NA	16.9%	4.11	NA	NA	3.07	Improbable
(40.0%)		0.00	0.00	NA	6.3%	NA	NA	NA	NA	Improbable
(11.1%)		0.06	0.06	100.0%	36.1%	1.56	NA	NA	1.20	Improbable
(18.2%)	3.9%	0.00	0.00	NA	7.5%	1.96	13.33	0.00	1.18	Improbable
(31.1%)		0.00	0.00	NA	4.5%	4.93	NA	NA	2.36	Improbable
(36.3%)	5.5%	0.24	0.32	22.5%	19.4%	3.64	7.50	0.95	2.00	Improbable
12.4%	12.7%	0.00	0.00	NA	21.3%	1.92	NA	NA	1.83	Improbable
(12.5%)		0.00	0.00	NA	15.2%					Improbable
(18.7%)	16.1%			0.0%	18.5%	3.42	60.67	0.29	2.23	Improbable
(25.0%)	6.3%	0.00	0.00	NA	18.1%	1.70	NA	0.00	1.15	Improbable
(5.2%)	8.5%	0.15	0.18	0.0%	4.9%	2.38	381.50	0.39	1.25	Improbable
8.7%	7.1%	0.00	0.00	NA	15.0%	4.00	NA	0.00	2.70	Improbable
3.2%	5.6%	0.00	0.00	NA	21.5%	3.40	NA	0.00	2.40	Improbable
(23.6%)	14.7%	0.46	0.83	48.8%	47.9%	2.19	1.56	2.40	1.74	Improbable
(31.8%)	2.5%	0.00	0.00	NA	27.8%	8.23	<0	0.00	7.02	Improbable
(8.0%)	5.3%	0.25	0.33	5.7%	36.8%	1.66	2.03	1.09	1.53	Improbable

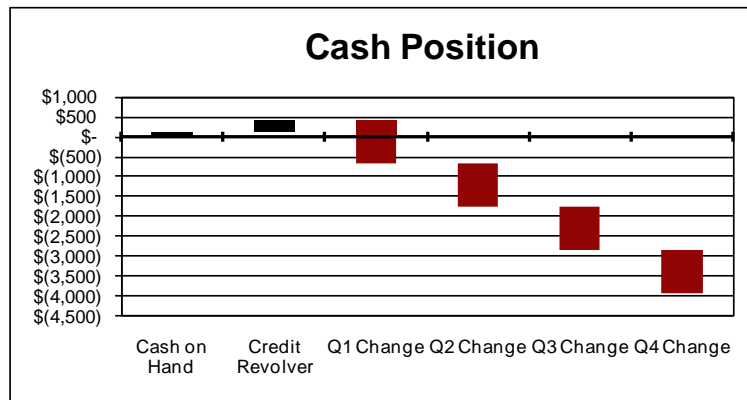
### Engagement Overview

- A global industrial company needed to assess several dozen private suppliers for financial risk
- Templates were distributed to the suppliers and interviews were conducted to determine key operating and cash metrics
- Second round interviews were held to uncover any inconsistencies in data that was submitted
- Suppliers' financial risk was ranked and reported to management and risk mitigation plans were developed

# Reference Case

## Risk Management

### Supplier Risk Management – Industrial Equipment



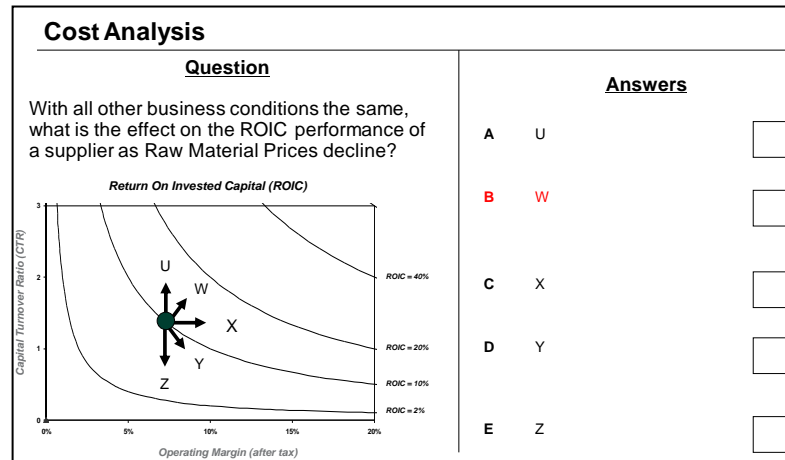
### Engagement Overview

- Maintaining plant continuity during a credit crunch, a major automotive OEM tasked the team with identifying troubled suppliers beyond D&B ratings for private suppliers
- Suppliers were audited and key cash burn rate details were summarized to identify the more critical suppliers to monitor
- Each supplier was assessed for access to credit, cash as well as upcoming debt maturities
- The resulting analysis helped the client to consolidate the supply base and manage reduced volumes

# Reference Case

## Cost Reduction

### Skills Development – Industrial Equipment



### Engagement Overview

- A global industrial equipment supplier needed to gauge the level of supply chain competence within a new structured organization
- Leveraging the experience and materials from supporting sourcing projects across multiple industries, the team developed a set of assessment questions for each competency area:

Benchmarking Cost Analysis

Finance Market Knowledge

Negotiations Risk Management

Value Chain Analysis

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# Cost & Capital

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