

Case In Point



CHALLENGES

- Private equity ownership was ready to hand company over to lender and walk away from a \$20 + MM investment.
- Internally generated forecasts predicted a pending \$2.0MM + cash short fall.
- Lenders had frozen the working capital line of credit and were not prepared to provide access to any additional liquidity.
- Prior management had a history of over-promising and under-delivering to its distributor network.
- Lack of inventory controls and procedures yielded \$2.0 + MM in excess inventory, improper product mix, poor delivery, a disorganized distribution center and deteriorating product quality.
- Failed Asian sourcing strategy yielded poor quality and inventory backlog on key items.
- Poor purchasing policies resulted in high cost of merchandise and poor inventory mix.
- Lack of standard cost reviews and pricing strategies yielded poor to negative margins on key items.
- Undisciplined collection policy resulted in 100+ days sales outstanding.
- Poor IT administration and understanding resulted in off system work-around and unreliable management information.

SOLUTIONS

- Aurora performed a two week on-site assessment quickly determining that Equity had a company worth saving.
- Aurora immediately implemented a formal company-wide, disciplined “Call-to-Action” accounts receivable collection policy and put delinquent accounts on a hard credit hold.
- Aurora performed a SKU level inventory analysis to identify and convert excess inventory into cash and “right-size” out of balance issues.
- Aurora developed and implemented an off system MRP model to manage inventory purchasing until the company’s operating system could be better understood.
- The distribution center was racked and reorganized to better facilitate the movement and management of inventory.
- Aurora developed and implemented a policy and procedures handbook addressing all facets of inventory management defining roles, responsibilities and step-by-step guidelines.

INDUSTRY

- Plastic Injection Molded, Hardwood, & Synthetic Sports Flooring Systems

SERVICES

- Operational Restructuring



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SOLUTIONS

- Aurora assisted equity with the conversion of \$13MM of sub-debt to preference shares.
- Aurora developed a weekly forward-looking cash flow to manage through the cash shortfall and communicate progress and issues to both banking and equity constituents.
- Aurora assisted in renegotiating the bank debt to unlock necessary liquidity.
- Aurora performed a detailed cost analysis to drive product rationalization and updated pricing strategies.
- Aurora developed a system driven flash report for management to more accurately and frequently monitor performance on a real-time basis.

RESULTS

- Our liquidity efforts eliminated the cash short fall, reduced working capital borrowings and allowed for amortization of term debt.
- The equity owners now have a strong portfolio company with the potential for an attractive return on investment.
- The company is generating significant excess cash due to improved margins, a shorter collection cycle and reduced excess inventory.
- The distribution network is no longer disgruntled and is more effectively serving the end customer.

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