

How do we do it?

Sample of the “Initiatives Report” following EXHAUSTIVE DIAGNOSIS

Initiative / Project	Month / Year	EBITDA improvement		Investment Reduction	Viability	Investment required (M€)	Probability	Impacted Income Statement Line	EBITDA			CAPEX Savings €M
		Min €M	Max €M						Min €M	Max €M	Prop. €M	
STRATEGIC Improvements	12-23	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	Raw materials and packaging	0,4	0,8	0,6	
	09-23	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	Subcontracting costs	0,2	0,2	0,2	
	06-23	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	Subcontracting Costs	0,7	0,9	0,8	
	02-24	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	TBD	<input type="checkbox"/>	Direct Production Costs	0,3	0,3	0,3	
	08-23	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	1.1	<input type="checkbox"/>	Direct/Indirect Production Costs	0,0	0,0	0,0	-3,3
OPERATIONAL Improvements	10-23	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	Subcontracting costs (services)	0,4	0,4	0,4	
	01-24	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	Direct Production Costs	0,1	0,2	0,1	
	03-24	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	Personnel and Logistics Costs	0,1	0,2	0,1	
	11-23	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	Maintenance and repair costs	0,2	0,2	0,2	
	06-24	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	0,5	<input type="checkbox"/>	CAPEX Reduction	0,0	0,0	0,0	-4,5
COST improvements	06-23	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	Indirect production costs	0,4	0,4	0,4	
	06-23	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	Direct QC costs	0,2	0,2	0,2	
	12-23	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	Destruction of materials	0,3	0,3	0,3	
	12-23	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	Maintenance and repair costs	0,8	0,9	0,9	
Total									3,4	4,6	4,0	-7,8

How do we do it?

A detailed description of each initiative is shown in the “PROJECT PLAN”

Initiative	Internalizing quality controls performed in external laboratories to reduce outsourcing costs		
Description of the initiative	<ul style="list-style-type: none"> The internalization of Quality Control analyses is carried out through: <ol style="list-style-type: none"> Use of existing laboratory equipment Saturation of current resources, partially increasing staff 	Hypotheses taken	<p>Savings in EBITDA</p> <p>0,8 - 0,9 M€</p>
Analysis of the initiative	<p>21.154 TOTAL hours required</p> <p>Hours to 100% lab saturation 7.692</p> <p>Overtime required 13.462</p> <p>Current</p> <p>Cost of subcontracting</p> <p>Not all externally outsourced analyses can be absorbed due to a lack of laboratory equipment.</p> <p>Actual Not feasible They can be absorbed</p>	<p>Estimated savings (M€)</p> <p>Benefit Costs Saving Max 0,9</p> <p>Legend: Eliminating the cost of outsourcing (light blue), Increase in the workforce (dark blue)</p>	<p>Monitoring the evolution of savings</p> <ul style="list-style-type: none"> The initiative reduces outsourcing of analyses to external laboratories by 60%. Review outsourced analyses daily and weekly. <p>PROBABILITY</p> <p>VIABILITY</p> <p>Dades fonts</p> <ul style="list-style-type: none"> External costs of quality control for plants Average cost per person performing QC analyses <p>Investment Required</p> <p>Implementation plan</p> <p>Sept. 2023</p>

How do we do it?

Example of the detail in the monitoring of “The execution of the project”

Details of projected savings, required CAPEX, and the treasury plan:

PROJECTED SAVINGS												
	Q1/15	Q2/15	Y.T. (FEB)	L.GERMANY	L.MEXICO	L.ITALIA	CHINA	JAPAN	L.CHILE	L.POLAND	CONSOLIDATED	
TOTAL SALES	\$15,000	\$2,000,000	1,800,000	1,783,529	1,215,739	200,399	4,284,830	7,321,551	685,431	24,066,767	49,053,100	
PURCHASES	1,498,761	2,000,000	1,802,000	1,744,824	541,707	1,401,888	3,207,142	4,983,000	375,840	11,100,900	24,267,000	
COST OF INVENTORY	1,483,746	2,000,000	1,802,000	1,744,824	532,937	1,401,888	3,177,427	4,988,000	370,200	11,000,900	23,980,000	
WORK IN PROGRESS	1,512,250	2,000,000	1,875,000	575,193	483,157	747,982	577,152	1,233,000	255,140	15,401,163	20,000,000	
TOTAL COMMERCIAL COSTS	458,946	1,800,723	1,688,500	563,824	32,285	113,942	558,947	1,066,764	51,150	4,295,763	10,000,000	
CONTRIBUTION MARGIN	1,070,415	1,721,277	1,810,000	200,862	419,869	861,891	911,887	1,042,000	450,000	4,935,230	14,000,000	
STRUCTURE COSTS	9,191,392	1,000,000	988,395	246,985	738,711	861,898	564,814	10,200,000	270,000	3,223,000	8,000,000	
OPERATING INCOME	2,930,000	102,751	-300,000	45,800	30,253	37,307	37,307	121,304	16,020	455,444	1,190,000	
	Q1/15	Q2/15	Y.T. (FEB)	L.GERMANY	L.MEXICO	L.ITALIA	CHINA	JAPAN	L.CHILE	L.POLAND	CONSOLIDATED	
Recover of excess inventory (200M) acc.	50,438	71,000	11,000	12,120	21,110	10,860	10,120	10,120	10,120	10,120	10,120	
Restructuring INVESTMENTS	965,000	367,000	358,000	63,196	256,000	256,000	256,000	256,000	256,000	256,000	256,000	
Restructuring INVESTMENTS (1) (2014)	7,251,667	1,600,000	1,600,000	171,381	94,261	150,000	150,000	150,000	150,000	150,000	150,000	
Restructuring INVESTMENTS (1) (2015)	22,000	22,000	22,000	22,000	22,000	22,000	22,000	22,000	22,000	22,000	22,000	
Reduction on salaries	144,145	180,173	70,000	34,946	194,040	54,034	324,778	324,778	32,400	32,400	32,400	
Reduction on overhead	144,145	180,173	26,000	17,000	21,420	13,684	32,300	32,300	10,000	10,000	10,000	
Improvements projects	301,936	285,190	30,000	30,294	10,000	10,000	10,000	10,000	10,000	10,000	10,000	
New plant costs	9,000	9,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	
Net plant costs	9,000	9,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	
TOTAL DIRECT SAVINGS	1,159,681	160,000	50,000	50,000	171,903	34,239	326,000	326,000	32,400	32,400	32,400	
TOTAL SAVINGS FROM TURNAROUND (Ch)	3,716,681	867,000	287,000	287,000	1,264,149	254,541	647,000	326,000	21,400	21,400	21,400	
NET PROFIT/LOSS FROM EXPANSION	-221,305	1,786,047	-112,700	2,060	117,320	61,407	362,690	205,212	37,515	490,759	3,815,000	

CAPEX NEEDED											CONDOL
	SUUR	SADOLUX	L.FRANCE	L.GERMANY	L.MEXICO	L.ITALIA	CHINA	JOHOF	L.CHINE	L.POLAND	CONDOL
PER NEEDED FOR RESTRUCTURING DIRECT	912.084	56.154				51.617	22.313	14.450			1.120
PER NEEDED FOR RESTRUCTURING PROJECT	478.786	10.000	225.000			61.293	172.444	54.095			1.066
PER FOR MACHINERY PURCHASE	265.000	50.000				76.020	78.000			30.000	480.000
PER FOR STOCK INVENTORY	50.000	30.000	10.000			26.000	20.000	10.000	10.000	30.000	180.000
TOTAL CAPEX NEEDED FOR RESTRUCTURING PLAN	1.750.794	205.154	238.000			207.916	206.782	116.490	30.000	60.000	2.187
THROUGHWAY CAPEX NEEDED	950.000	650.000				728.600	140.000				2.478

The impact on P&L before and after execution and the monthly monitoring of execution:

Bridge EBITDA - Current Scenario vs Proforma Scenario including Restructuring

ADJUSTED PLAN 2019		EXPECTED 2021	
	CONSOLIDATION	CONSOLIDATION	change
TOTAL SALES	48 392 739,47	48 395 358,48	-1,4%
PURCHASES	24 296 525,80	24 395 510,02	1,2%
DIRECT PERSONNEL COST	4 701 109,38	3 495 927,70	-25,9%
SALES-ADVISOR	181 834,02	180 435,45	-2,2%
COST OF GOODS SOLD	38 820 231,42	37 942 006,32	-2,6%
GROSS MARGIN	20 262 596,05	21 153 347,07	-4,4%
TOTAL COMMERCIAL COSTS	6 426 212,48	6 795 243,78	-3,7%
CONTRIBUTION MARGIN	13 436 296,57	14 758 106,30	-9,0%
STRUCTURE COSTS	14 626 091,73	10 638 202,39	-26,9%
OPERATING INCOME	1 190 796,16	2 949 903,01	-42,1%
FINANCIAL RESULT	2 475 955,64	2 479 491,09	-0,2%
OTHER INCOME	386 370,26	395 270,26	0,0%
ORDINARY INCOME	2 271 421,55	1 843 782,18	-18,4%
TOTAL PROVISIONS AND AMORTIZATION	6 697 972,01	10 436 241,57	+56,0%
EXTRAORDINARY RESULT	397 463,30	318 306,00	-24,2%
PROFIT BEFORE TAXES	16 321 866,46	1 910 958,28	-88,2%
taxes on profits:	400 020,00	499 020,00	0,0%
NET PROFIT	11 528 786,43	2 217 981,79	-79,6%
EBITDA	1 039 440,03	4 094 765,46	-93,0%

MONTHLY SCENARIO TURNAROUND

	sep-19	oct-19	nov-19	dic-19	ene-20	feb-20	mar-20	abr-20	may-20	jun-20	jul-20	ago-20	sep-20	oct-20	nov-20	dic-20
INITIAL SCENARIO																
ROLLING - Cash Forecast Position WITHOUT YTG TurnAround Plan	735.662	227.724	-1.813.500	-3.316.236	-3.905.757	-4.602.677	-6.422.580	-6.573.885	-6.539.934	-6.847.783	-7.177.415	-7.041.684	-6.946.911	-6.045.565	-5.889.710	-8.086.042
MONTHLY - Delta Operations (maintaining company)			-563.709	-2.041.224	-1.502.736	-589.521	-696.919	-1.819.903	-151.306	33.951	-307.849	-329.632	135.731	94.773	901.346	155.855
MONTHLY - Delta Expenditures related to TurnAround Plan (change)	0	0	-712.250	-1.180.097	-321.899	-291.399	-120.899	-120.899	-120.899	0	0	0	0	0	0	0
MONTHLY - Delta Savings from TurnAround Plan (change)	55.771	62.471	79.805	123.071	257.052	269.969	282.389	356.963	386.600	569.652	386.600	386.600	386.600	386.600	386.600	547.425
RESULT SCENARIO																
ROLLING - Cash position incl. TurnAround Plan	791.433	290.195	-2.383.474	-4.943.235	-5.597.604	-6.315.954	-7.974.368	-7.889.610	-7.589.959	-7.449.056	-7.392.088	-6.869.758	-6.388.385	-5.100.439	-4.557.985	-6.206.889

How do we do it?

Levers of Value

This is the set of levers that have been successfully implemented. We have success stories to showcase for each one.



Strategic Opportunities

- Product portfolio management (based on unit profitability)
- Divestment of unprofitable/non-strategic assets
- Purchasing management by category
- Supplier integration
- Make or buy strategy
- Redefining pricing versus profitability
- Redesigning industrial strategy: specialization by technology/product to maximize productivity.
- Organizational redesign: "Organizations are perfectly prepared for the results obtained." Peter Drucker
- Workforce and shift flexibility
- Digitalization and automation:
 - Implementation of applications that automate processes: ERP, MES, CRM, etc.
 - Automation of predictive analytics



Operational OPPORTUNITIES

- Aligning capacity with sales
- Maximizing the profitability of industrial assets (optimizing utilization)
- Resizing structure and staffing
- Performance management systems (shift-by-shift, daily, weekly, and monthly)
- Productivity improvement:
 - Process reengineering + Lean Lab
 - Process standardization
 - Reliability strategy → preventive-predictive maintenance
 - Improving changeover times – SMED
 - Improving line speeds
 - Increasing workforce versatility
- S&OP: Improving demand management, planning, and sequencing linked to operational productivity
- Reducing lead times and improving pre-sales service



Opportunities COSTS

- Waste reduction: measurement by production order and application of statistical process control (SPC).
- Strict cost and cash flow control vs. zero-based budgeting.
- Working capital optimization: inventory reduction (Make-to-stock / Make-to-Order).
- Overhead cost reduction.
- Outsourcing of non-core operations.
- Debt restructuring.
- Improved cash flow: managing late payments and optimizing supplier payments.
- Multifunctional teams focused on cost reduction.
- Optimization of spare parts inventory and spending.
- Automation of tasks and quality controls.
- AI applications for automation and cost reduction.