Value Through Data

Profit Growth Roadmap

Analytics enabled roadmap for rapid growth, margin and cash improvement actions
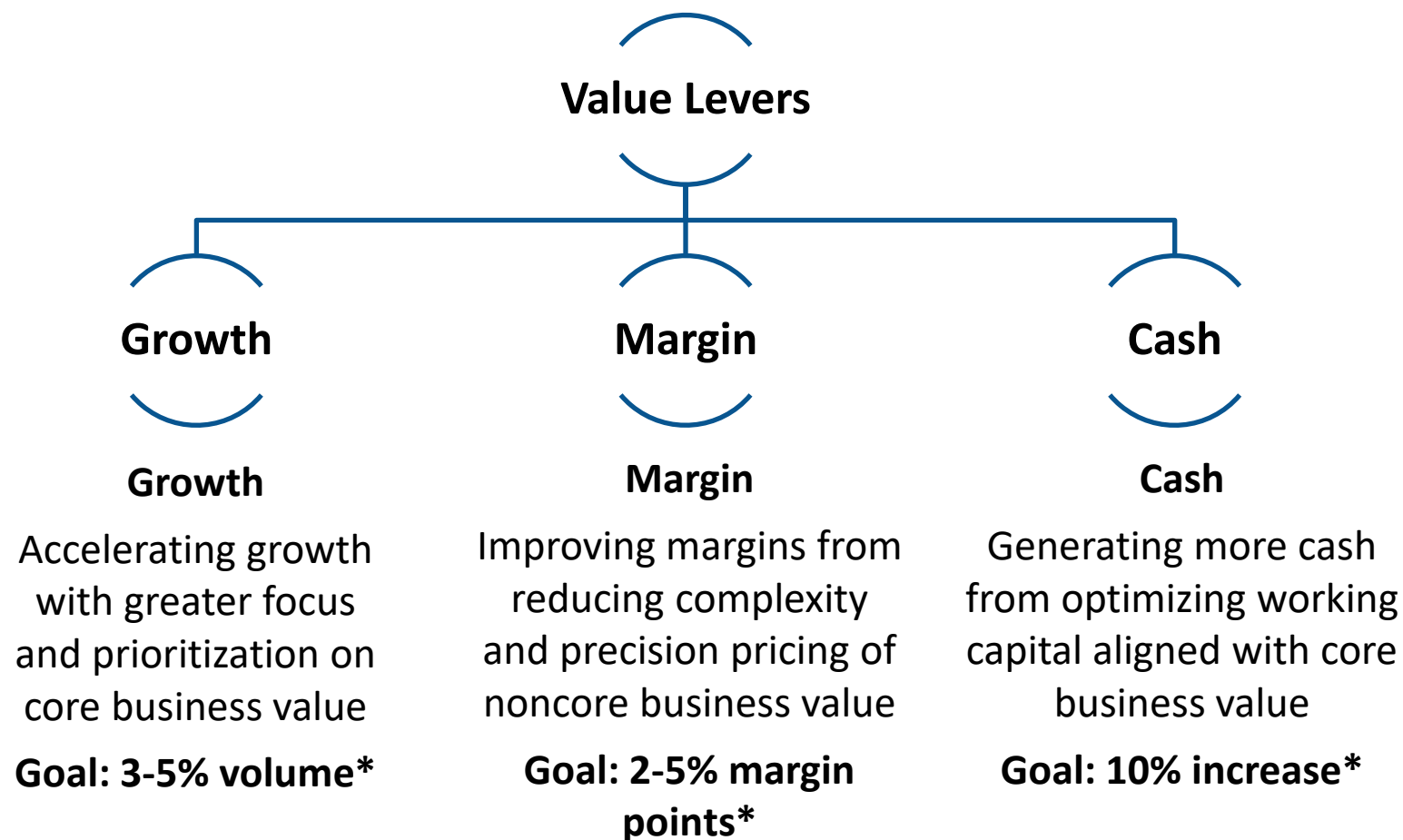
APEX
MANAGEMENT PARTNERS

AlignAlytics

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Profit Growth Roadmap

Advisory support to achieve 2-3X increase in equity value from 20-30% EBITDA improvement

Enabled by powerful analytics, our team provides advisory support to flex the key levers of value. With rigorous analysis and interpretation, we help you unmask your hidden, value-destroying "complexity tax" and prescribe proven improvement actions.

Value Levers

Growth | **Margin** | **Cash**

Growth

Accelerating growth with greater focus and prioritization on core business value

Goal: 3-5% volume*

Margin

Improving margins from reducing complexity and precision pricing of noncore business value

Goal: 2-5% margin points*

Cash

Generating more cash from optimizing working capital aligned with core business value

Goal: 10% increase*

* *Common outcomes from Profit Growth actions, achievable in months not years*

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# Profit Growth Roadmap

"Actions to Impact"

- Portfolio Mix Optimization ➜ Reduce high cost-to-serve areas
  - Cost reduction
  - Focused execution & resource prioritization
  - Margin improvement
- Precision Pricing ➜ Identify pricing uplift areas with limited risk
  - Revenue Growth
  - Reduction of unprofitable cost-to-serve items
  - Margin growth & rate gains
- Growth Accelerator ➜ Rev Mgt Effectiveness
  - Focused Sales, marketing & service alignment
  - Volume growth
  - Margin growth

The Profit Growth Roadmap is a 2-4 week assessment to:

- Identify and quantify where a business can drive profit gains, growth and cash savings ~ size of prize
- Deliver an action plan to launch and implement these benefits over a 6-month period
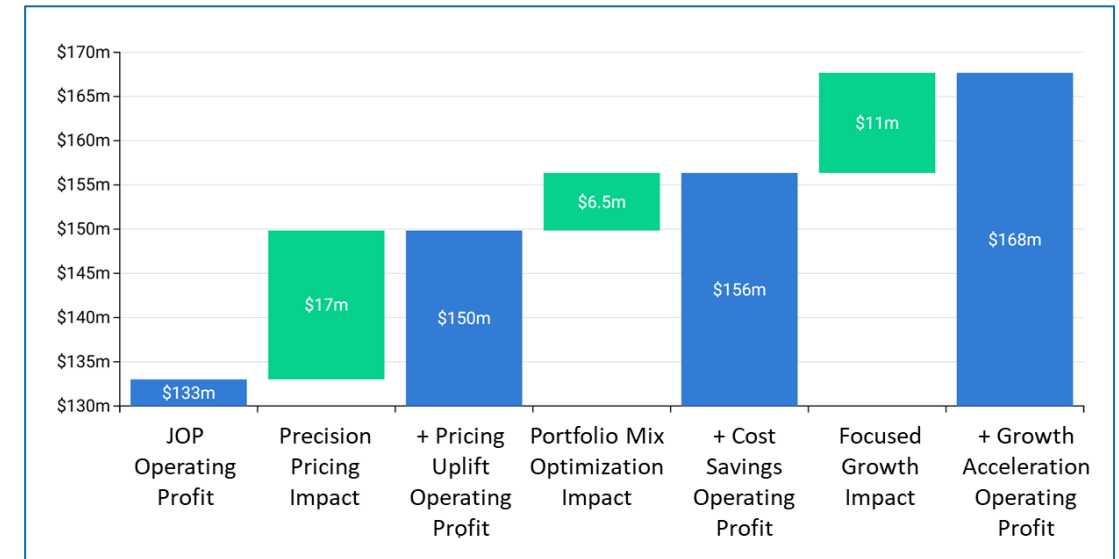

Profitability Actions use cost-to-serve algorithms based on the 80/20 True Profitability methodology to determine where value improvements can be made and specific actions to deliver the value

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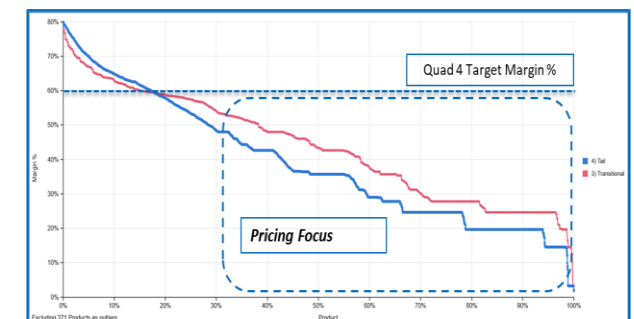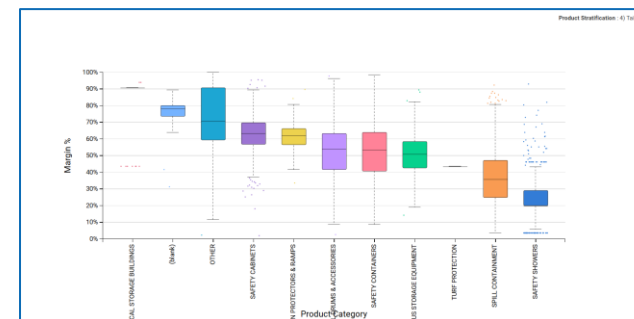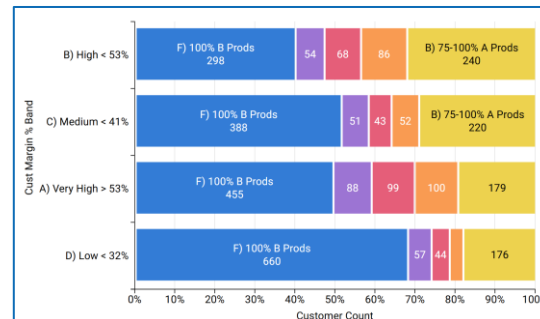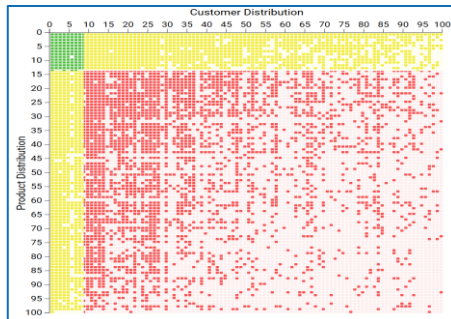
Analytics Enabled Advisory Support
*Guided, Collaborative Workout Sessions**

Our advisory support leverages powerful but easy to use analytics for dynamic, interactive working sessions
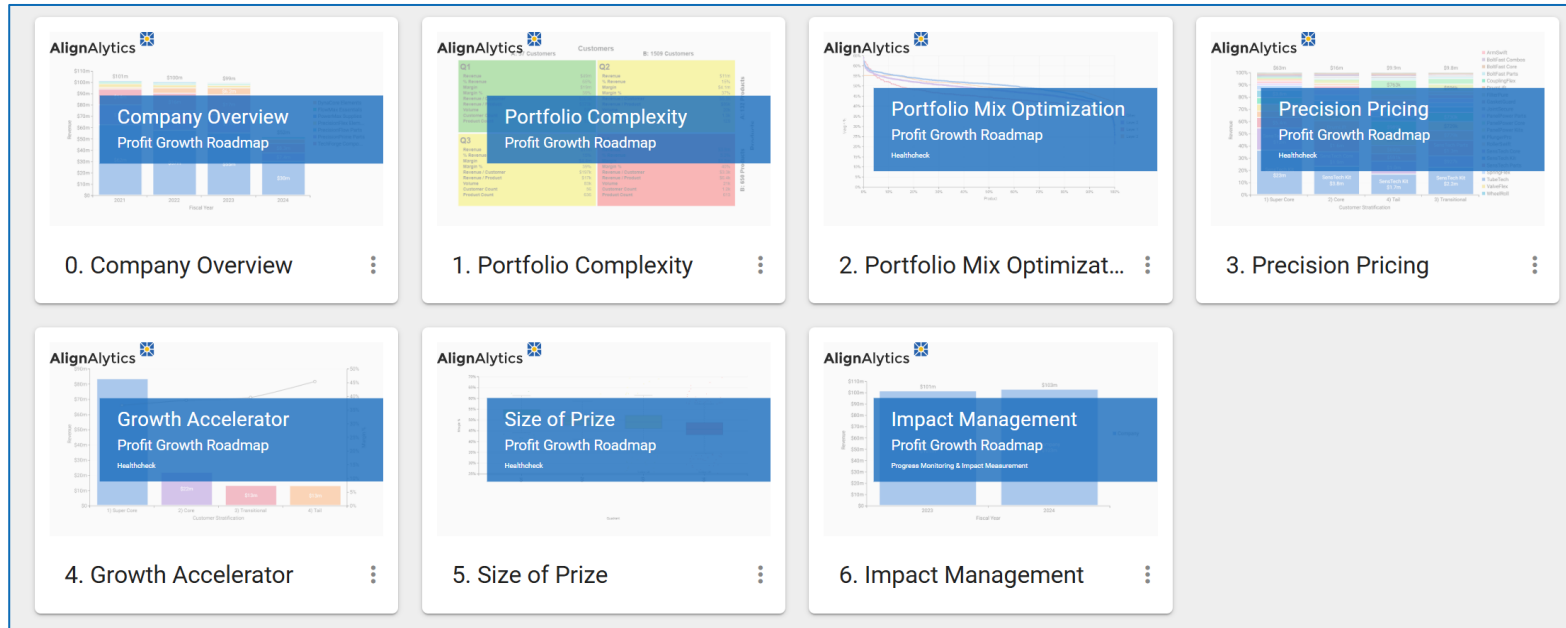
1. Business Portfolio Complexity
2. Size of Prize
3. Portfolio Mix Optimization
4. Precision Pricing
5. Growth Accelerator
6. Impact Management

- Sophisticated methodology-based analytics
- Virtual sessions, recorded, transcribed & summarized
- Guided analysis "storyboard" visualizations
- Prescriptive to-do action plan templates

- Value add analysis, interpretation & guidance
- "Size of the Prize" outcome assessment
- Summary and detailed KPIs for measuring progress
- Unlimited access to analytics for full year

* *Workout session = joint effort session discussing analysis findings and diving into detailed data to align around follow-up actions to take*
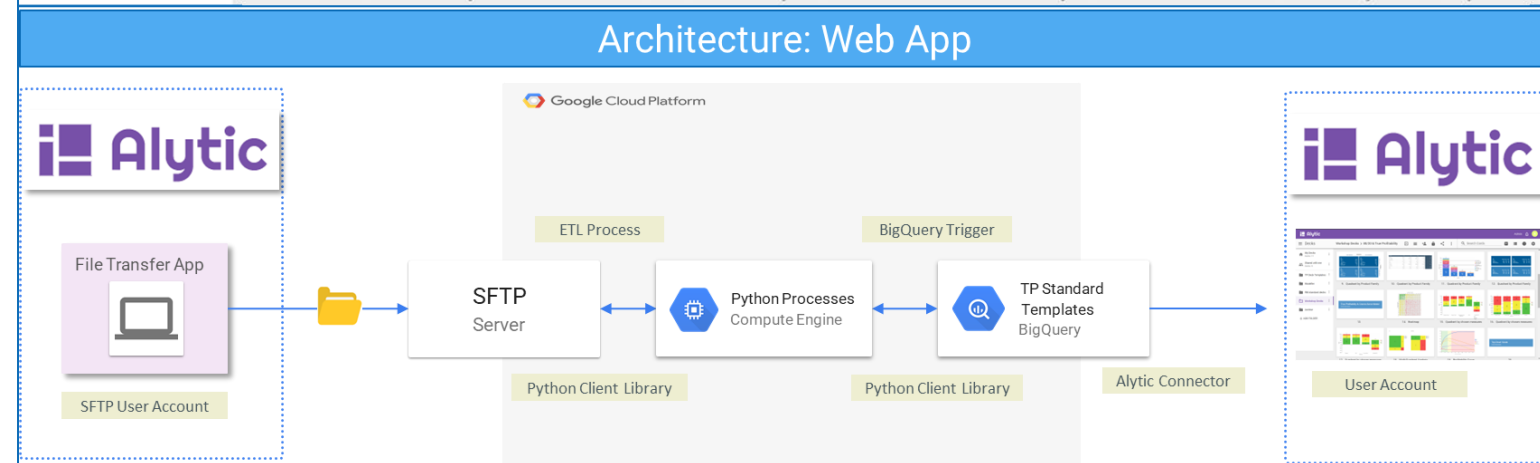
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4

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Analytics use a robust and secure web architecture
Access provided through the Alytic visualization and analysis platform

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Methodology

Methodology Highlight (1)

Portfolio Optimization leading to Simplification, Cost Savings & Redeployment

- Every customer & product transaction and interaction has hidden handling costs that get proportionally more expensive the further down the tail (Customer/Product/BOM/Supplier)

- For the Profit Growth Roadmap an experience curve* logic is used to allocate indirect cost-to-serve costs (complexity units) to each customer/product combination

- Redeployment of loss-making portfolio product/services are identified as potential cost savings or resource redeployment opportunities using a risk-weighted approach:

  - Group products into the 4 defined risk layers and focus on the first two:
    - Layer 1 = Unique Quad 4 products (B products ONLY bought by B customers)
    - Layer 2 = Mixed Quad 4 products (B products bought by B AND A customers, i.e. also Quad 2)
  - Group products by their margin % into 4 quartiles from lowest to highest
  - Group products into percentage bought by A customers (0% is the same as Layer 1)
  - Calibrate simplification actions based on level of risk

* *The "experience curve" holds that as companies gain experience in producing goods or services, they become more efficient due to learning effects, process improvements, and economies of scale. Costs typically decline by a predictable percentage (often 20–30%) each time cumulative output doubles. Larger volumes spread fixed costs over more units, reducing per-unit costs.*

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Methodology Highlight (2)

Pricing & Margin uplift

- Leveraging years of pricing work our algorithms identify margin and pricing misalignments withing key segments and categories e.g. families/brands/types/regions etc.

- Multi-dimensional calculations calibrate increases based on relative margin levels within each of these key segments

- A Tail vs Transitional products stratification* establishes target price uplifts where business risk is low and achievable

- A customer size differential is also assessed to encourage upsell or discourage unprofitable customers

- Finally, a risk-adjustment factor is applied to the product or customer price increase candidates to reflect expected "exceptions to the rule"

We split out the 80s into Super Core (80s of the 80s) and Core (remaining 80s) and 20s into Transitional (80-90th %) and Tail (90-100th %)

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Methodology Highlight (3)

Growth & Focus

- A Customer Stratification* logic is used to further differentiate core vs non-core customers

- Historic growth, margin, customer size and product cross-sell calculations are made within a product category/segment to identify growth priorities

- Conservative assumptions are then derived to model potential growth based on focusing on these growth priorities

* *We split out the 80s into Super Core (80s of the 80s) and Core (remaining 80s) and 20s into Transitional (80-90th %) and Tail (90-100th %)*

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