

Outperform Your Competition – Reduce Time to Cash

Initial Situation

- Why are some companies consistently outperforming their competitors, even during turbulent economic times?

The Challenges:

- Superior operating business models can be distinguished through:
 - High profitability
 - Strong growth
 - High liquidity
 - Shock resistance
- Until now, no metrics have been available that can measure superior operating business models.

Objectives

- Under what circumstances will companies be able to make it to the superior competition zone (Winners Area)?
- What are the key factors for success?

Our findings:

- Agile companies with adaptable organisations and efficient value chains are consistently outperforming their competitors.
- Key parameters were identified to capture the velocity of companies such as:
 - **Cash Velocity (CV)**
 - **Value Chain Velocity (VCV)**
 - **Superiority Index (SI)**

Our Approach

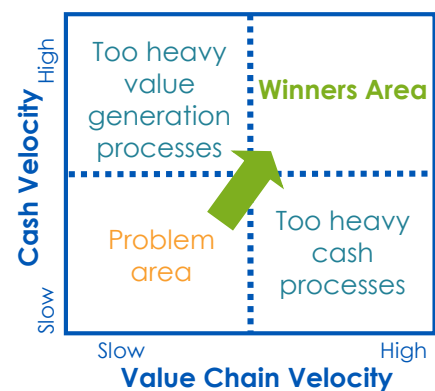
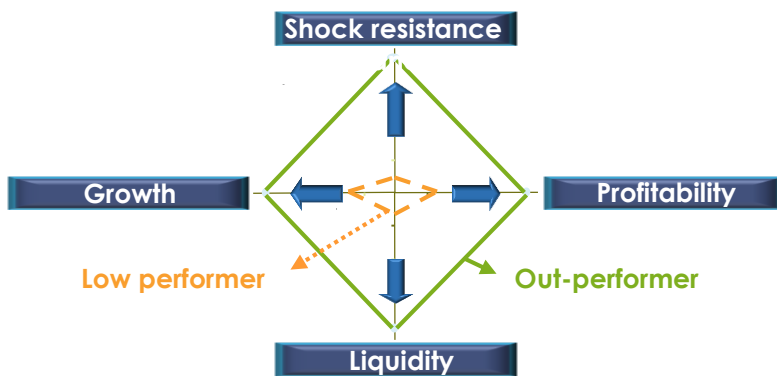
Our approach is based on analyses of more than 600 global companies in over 30 different sectors (from high-tech to low-tech as well as service companies) and enables us to identify the drivers of economic success of companies and their purposeful advancements.

The foundation is based upon several years of classical data, e.g. from the balance sheet, profit & loss account, cash flow statement, etc., and on that basis, we identify the following key parameters for superior operating business models:

- Cash Velocity – Indicator for the velocity of inventory (DIO), sales (DSO) and payment processes (DPO).
- Value Chain Velocity – Indicator of the main drivers for profitability and liquidity of a company and the velocity which transforms input (costs) e.g. SG&A, COGS, R&D, CAPEX, in output (revenue).
- Superiority Index – Combination of cash and value chain velocity which correlates with the performance of a company. Benchmarking to the sector (peer group) allows us to evaluate the status quo as well as the performance gap vs. best-in-class.

A statistical analysis (e.g. driver tree analysis), identifies the success factors with the highest impact on selected targets such as growth, liquidity and profitability and thus helps to make the company more crisis resistant and to guide the enterprise to the Winners Area.

On this basis, we lead the company to a new positioning within its respective sector. From those starting points arrive purposeful improvements of selected targets as well as how to remain in or arrive in the superior performance zone (Winners Area).



Our approach is published in reference books and is already taught at several universities. Well-respected textbook author, Francis McInerney in his book "Super Genba – Ten things Japanese companies must do to gain global competitiveness" quotes Dr. Hartwig Rüll:

- "Dr. Rüll's point is that it is not only easy to foresee who has the best chance to lose, it is also easy to predict operational outcomes at a highly detailed level. Performance zone companies have none of the same risks as their competitors and as a result can make very different decisions".
- "Apple for years took over 50% of the profits in smart phones on only a tiny amount of market share, just as Hartwig predicted".
- "Performance zone companies with high cash velocities, improve their ratios of operating earnings to R&D over time while firms with low cash velocities must struggle just to stay where they are and usually lose position over time".
- "They get much higher EBIT margins, EBIT / Inventory ratios, OCF / R&D, OCF / SG&A, Return on Assets".
- "Once the performance gap opens, it tends to get wider over time".



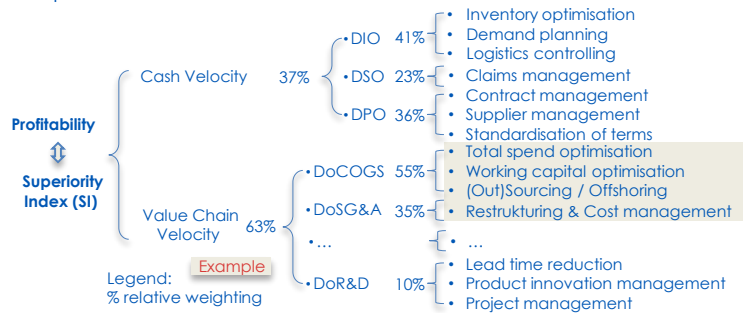
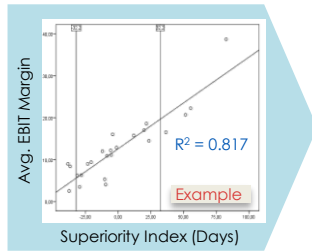
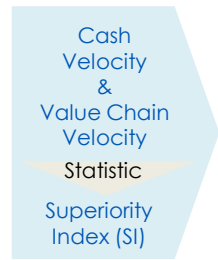
Francis McInerney, PhD Honorary

Our Methodology

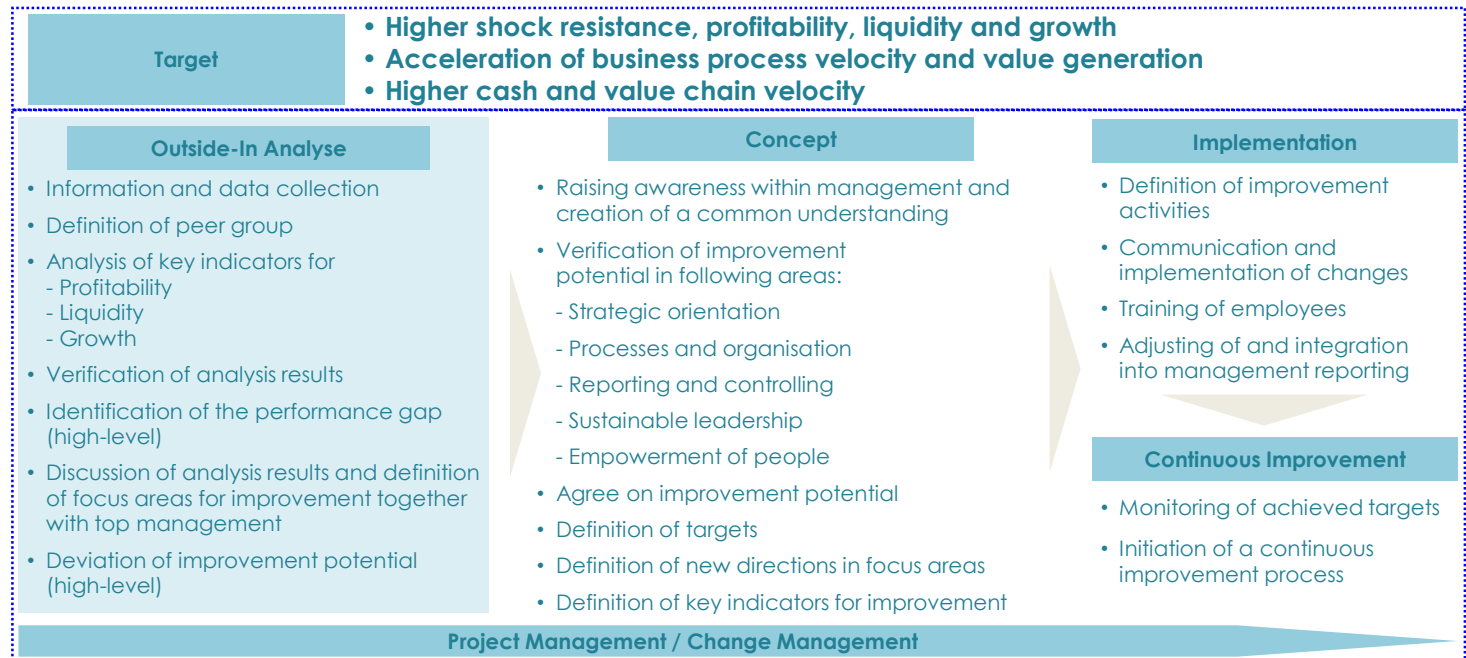
For every peer group, a Superiority Index (SI) can be derived ...

... which correlates with a companies success

... and via driver tree analysis, the most important starting points for improvements can be identified.



Our Best Practices



Your Benefits and Application Areas

Company Growth (Mergers & Acquisitions / Organic)

We analyse the core data of the target and position it relative to the sector (peer group). From that, clear deviations and improvement potentials arrive. A comparison with best-in-class of a certain sector (peer group) delivers insights for building the new entity in the successful direction.

Furthermore, we analyse the position of the new company (buyer + target) and are able to predict consequences of a buy / sell in scenario with high probability.

Our superiority index also is highly correlated with the enterprise value. The linchpin of our approach is always a well-grounded statistical analysis of the relevant drivers, irrespective of if it deals with improvements of individual companies, divisions, projects or M&A transactions.

Project Management

We start from the present project parameters and the project portfolio of a company and analyse the effect on selected targets (e.g. profit, costs, time, etc.).

The identified main drivers are tracked in line with an early-warning system to reduce and track the risk in the project business and to make the business even more successful.

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