



'09 IFDA
Distribution
Solutions
Conference

Best Practices for Today's Times

IFDA
10/22/2009 11:02 AM

UNI-PRO
FOODSERVICE, Inc.

PROGRESSIVE
GROUP ALLIANCE

FREY'S
ACRES

FAB
INC.

Jobson

Bellissimo
The Italian Restaurant

FEDERATED

INM

Best Practices for Today's Times



'09 IFDA Distribution Solutions Conference

Go Beyond Checking the Financial Pulse of Your Business

Change Your Paradigm
From "Manager Thinking"
To "Owner Thinking"



KEITER
STEPHENS
ADVISORS

FOODSERVICE FINANCE SPECIALISTS

IRS Circular 230 Disclosure

To ensure compliance with requirements imposed by the IRS, we inform you that any tax advice contained in this communication is not intended or written to be used, and cannot be used, for the purpose of (i) avoiding any penalties under the Internal Revenue Code or (ii) promoting, marketing or recommending to another party any transaction(s) or tax-related matter(s) addressed herein.

What We'll Cover This Morning

1. The Changing Future Landscape
2. Changing From Manager to Owner Thinking
3. Checking Your Financial Pulse Today
4. Preparing For Tomorrow's Increased Financial Demands
5. Success Stories
6. Question & Answers

The Changing Future Landscape

The Changing Future Landscape

- Business tomorrow will be far more challenging than business today.
- The shake out will continue – only those that plan, execute and continuously measure will thrive.
- You need to step up your game plan to deal with the changes.

The Changing Future Landscape

There's A War On For Gross Profit Dollars

- Street "selling margin" impacted by troubled distributors
- Vendors are becoming increasingly more savvy
 - Sheltered income
 - Marketing dollars
 - Logistics costs
- More operators grabbing traditional "earned income"

The Changing Future Landscape

Business Intelligence More Critical Than Ever

- It's not only scale driven anymore
- Shifts occurring in what gets measured and how often
- Growing use of sophisticated customer profitability models
- Inventory / brand management harder than ever before
- Increased commodity market awareness is essential
- Effective customer business reviews require planning based on detailed data

The Changing Future Landscape

Who Are Your Resources:

- CFO or controller
- Senior management team
- Accountant
- Lawyer
- Advisory board (yes, you should have one!)
- Buying group/s, share group/s
- Industry associations - IFDA
- Outside consultant/s

Changing The Paradigm

Changing The Paradigm

Shift From “Manager” Thinking To “Owner” Thinking

- View your business as an investment
- Analyze the assets in the company's “portfolio”
- Understand your business valuation
- View every decision as an investment decision
- These choices warrant more than your attention, they require financial expertise
- Develop a growth strategy that’s right for you

Checking Your Pulse Today

Checking Your Pulse Today

Senior Management And Owners Should

- Develop a deeper understanding of your business environment.
- Develop a deeper understanding of your earnings and earnings opportunities.
- Identify your future capital sources and borrowing capabilities.
- Track and project working capital requirements

Checking Your Pulse Today

Develop A Deeper Understanding of Your Business

- Are you aligned with or pursuing customers who have the potential to grow?
- How are your vendors helping you grow or tackle today's business challenges?
- If you are considering buying another company or selling your business, how are you increasing your value today and preparing your financials for review?

Checking Your Pulse Today

Customers

- Review your chain / independent mix
- Prepare and analyze segments by geography, customer types and sales rep
- Are they growing or declining?
- Create a P&L for all key customers, including the costs of SKU requirements and credit
- Move them from checks to automated payment

10/22/2009 11:02 AM

Checking Your Pulse Today

Vendors

- Develop collaborative relationships where possible
- Ask help in developing new earned income opportunities
- Brainstorm to creatively respond to customer needs
- Have their supply chain experts work closely with your IT and supply chain staff to identify waste and drive down costs

Checking Your Pulse Today

Lenders

- Tighter controls and oversight
- More information requirements and “deeper dives” into balance sheet and customer credit issues
- Higher pricing on credit; lower ABL borrowing ratios
- Assessment of all possible non compliance fees
- Increased requests for additional collateral and personal guarantees

Checking Your Pulse Today

Investors

- Most recent earnings results receiving more scrutiny
- Balance sheet / working capital more critical
- Customer / geographical concentrations dissected
- More sellers than buyers
- Multiples down in past 9 – 12 months
- Fold-ins vs. stand alones
- Is this a good time for smart acquirers to buy ?

Checking Your Pulse Today

Know The Value Of Your Business

- Understand what buyers value and will pay for – even if you aren't considering selling now
- Knowing your value helps you properly measure your ROI
- Measure that return against after tax market value - as well as book value

Prepare For Tomorrow's Increased Financial Demands

Prepare For Tomorrow's Financial Demands

Where To Begin

- Start with “owner thinking”
- Every decision is an investment decision
- Develop a deeper understanding of key metrics
- Always strive to increase the value of the business
- Get senior managers on board and active
- Keep your HR team in the loop for all outward looking decisions

Prepare For Tomorrow's Financial Demands

Earnings And Earnings Opportunities

Control investment and expenses by:

- Asking “Should we?”, rather than, “Can we?”
- Taking a meta approach rather than silo management
- Asking for more analysis by:
 - Case/unit
 - Mile
 - Invested capital

Prepare For Tomorrow's Financial Demands

Future Capital Sources And Borrowing Capabilities

- Capital comes only from earnings, investors, or lenders
- Investors and lenders demand documented past earnings and defensible plans for future earnings
- Financial statements need to be in a format that investors and borrowers can follow and understand

Prepare For Tomorrow's Financial Demands

Track And Project Working Capital Requirements

- Asset-based lending (inventory and A/R) is harder to find and more expensive than before.
- Get the projections right ... no surprises to the lender down the road.
- Meet the ongoing documentation requirements.

Prepare For Tomorrow's Financial Demands

Create A Deliberate Investment Strategy

One that provides for growth through a mix of:

- Organic growth
- Capacity expansion
 - Facilities
 - Talent including leaders and DSRs
 - Fleet
- Acquisitions

Prepare For Tomorrow's Financial Demands

Optimize Gross Margin Dollars

Fund a more fiscally sound business

Track and document selling profit and earned income by:

- DC, district
- Customer
- DSR and district manager
- Major geographic centers and routes
- Vendor and major product segments

This may require additional IT investment; It will require time and talent

Prepare For Tomorrow's Financial Demands

Value And Prepare To Sell (or abandon)

Parts of the business that no longer generate appropriate returns:

- Geographic anomalies
- Chain drains
- Dead or dying product segments
- Dead or dying customer segments

Prepare For Tomorrow's Financial Demands

Values Change With Market Conditions

In the last twelve months:

- Fewer dollars chasing deals
- Lower deal pricing
- Looking for very detailed and documented financial information back 2 – 3 years
- Searching for changes – on any and all fronts
- Looking for very detailed and documented financial projections of the future

Prepare For Tomorrow's Financial Demands

Prepare For Changes In The Lending World

- Increased credit scrutiny
- Increased cost of borrowing
- What we see in the banking / lending world:
 - The environment is still pretty rough
 - Regulators still under pressure to review loans / documentation
 - Banks are using small issues to assess fees
 - Banks are shrinking lines of credit
- There may be some hope on the horizon

Success Stories

Behind The Scenes In The Decision Making Process

- Complementing Initiatives
 - Preparing for family ownership transition
 - Improving profitability through acquisition of customer base
- Long range sale strategy based on near term tactical acquisitions
- A difficult ownership decision that paid great dividends.

What do all of these success stories have in common? These owners went beyond manager thinking to owner thinking...

Questions & Answers

