



6700 Woodlands Pkwy Suite 230-254
The Woodlands, TX 77382

PH: 832.449.8560

FX: 832.442.5278

raccasolutions.com

CASE STUDY: TURNAROUND MANAGEMENT

SITUATION ANALYSIS:

An oilfield services company found themselves in an EBITDA negative situation and with only enough cash to cover one payroll due to a 50% reduction in revenue because of a declining market. Racca Solutions Group (RSG) was engaged to perform turnaround services. The goal was to improve cash flow, decrease working capital and regain a positive EBITDA.

IMPROVEMENTS IDENTIFIED:

An interim CEO from RSG was named and immediately engaged. Utilizing transactional Lean Six Sigma methodologies and a multi-faceted cost disciplined approach; additional organizational cuts and further cost savings were identified that would not compromise the day-to-day business and included:

- 60% reduction FTE while continuing to serve the market
- Streamlining processes to support execution with smaller team
- Renegotiation of all operating and capital leases
- Restructuring the sales team to be more effective
- Negotiation of new bank terms – principal term payments suspend for 1 year, interest only payments

OVERALL RESULTS:

While significant gains were achieved through the collapsing of the organization and renegotiation of leases, bank terms, etc., other achievements included:

- >\$8M of liquidity in 8 months
- \$10.2 million of cost removed from the enterprise
- Consolidation of the supply chain and removal of \$1M of slow moving inventory – total inventory reduction of \$8M
- Selling off rental assets; used to pay term debt

In addition to the financial recovery of the company and the implementation of longer term process improvements, an additional benefit was realignment of the Board of Directors and a renewed hope for the company.