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## CASE STUDY: WORKOUT

### **Situation Analysis:**

Company was slow to react to a declining market and found themselves quickly in an EBITDA negative situation. While some reduction in force efforts had already been accomplished; cash flow and working capital continued to be a challenge since top line revenues had declined. Although Racca Solutions Group conducted a baseline assessment that assessed the capability and efficiency of their people, processes and technology within the most recent 3 months; very few if any of the recommendations had been implemented and the board determined that a workout was necessary to right-size the company.

### **Improvements Identified:**

Racca Solutions Group was re-contracted to develop, socialize and project manage a restructuring strategy focused reviewing all fixed and variable cost associated with People, Process and Technology. The goal was to obtain achievement of positive EBITDA and continue to improve it quickly as possible. The key areas of focus included:

- Organizational structure and employee census – SG&A and COGS
- Companywide incentives, commissions and bonus plans restructuring
- Reduction of all operating and capital leases
- Supply Chain and Inventory strategies review
- 1099's subcontractors review
- Product family strategies – High margin vs. low margin products

### **Overall Results:**

Within a two-week period, a total of **\$6.5M** in real savings resulted through an organization collapse, headcount reductions, salary cuts, travel and expense cut backs, renegotiations of vehicle and property leases and restructuring of benefits. Next steps are to evaluate where improvements and cost cuts can be made in the Supply Chain that will continue impact to the P&L. The ROI on this investment in Racca Solutions Group to manage this project was **100X+**.