

CASE STUDY  
[AUTOMOTIVE SUPPLIER INDUSTRY ]

**RESTRUCTURING AND STRATEGIC  
REALIGNMENT CONCEPT FOR AN  
AUTOMOTIVE SUPPLIER**



## Background

### CHARACTERISTICS OF THE SUPPLY INDUSTRY

The financial and economic crisis of 2008/2009 triggered a worldwide recession, which massively hit the automotive industry. In 2009, the industry had to cope with declines in sales of around 20 percent in Germany. The supply industry lost about a quarter of its sales. However, the automotive industry recovered relatively soon. In particular German brands and products, which are leaders in international competition, were able to re-bounce relatively quickly.

However, the return to the usual growth dynamics should not hide the fact that players in the automotive industry are facing fundamental change over the next few years. Above all, it will cause problems for those supplier companies that have been hit by the crisis.

One of the structural changes is the shift in global demand: while in the triad markets, registrations are increasing only marginally, in the future significant growth will take place in the emerging BRIC countries, especially in Asia. Vehicle production by OEM (Original Equipment Manufacturers) will shift even more strongly into these growth regions, which will inevitably lead to continued relocation of the suppliers' production sites.

On the revenue side, the supply industry is coming under increasing pressure: high manufacturing complexity, ever more stringent environmental regulations and rising raw material prices are driving up costs. Companies need to respond to these developments with significant cost savings and productivity gains; otherwise automotive suppliers will not be able to operate profitably in the future. The OEM market has already been characterized by strong concentration tendencies in recent years. The same will happen in the supply industry. Over the next few years, suppliers will have to respond to these structural changes and consolidate accordingly. The OEMs demand longer price commitments, pass the financial risk to suppliers and expect comprehensive complete solutions. These demands can only be met by innovative companies with sufficient funding to finance growth and R&D.

## Task

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### RESTRUCTURING AND STRATEGIC REALIGNMENT

In Europe and South America, the company is one of the leading suppliers of important seat components (seat structures, adjusters for backrests, etc.); total sales in 2010 reached around one billion euros. The segment of complete seats, above all high-quality sports seats on the primary and aftermarket, contributed around ten percent to the Group's overall result, of which around two thirds was achieved in Europe.

Even in the pre-crisis years of 2007 and 2008, the company achieved relatively low profitability. The main reason for this was increasing competitive pressure, which was intensified by mergers between competitors. In addition, performance was below average in almost all service areas. This already difficult starting position worsened dramatically when the automotive supplier industry felt the effects of the global financial and economic crisis.

The company wanted to stop this negative development with external support and achieve the turnaround: In autumn 2009, Haselhorst Associates was commissioned to provide conceptual and operational support for the restructuring and strategic realignment.

## Approach

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### STEP 1: SUSTAINED IMPROVEMENT IN PERFORMANCE AND PROFITABILITY

The management and the consulting team developed a restructuring concept for the automotive supplier, encompassing immediate actions, a profit and a cash program. In order to achieve the turnaround, all processes and products of the company were put to the test and optimized. In particular, sets of measures were put together for specific problem areas of the automotive industry: The focus was on increasing efficiency and improving key performance indicators in the areas of quality, logistics and usage of materials. The improvement and control of processes in sales and purchasing also played an important role in this respect.

For the consulting team it was particularly important to identify potentials for improving results and to show ways to realize them. Haselhorst Associates also took the responsibility for project management: The consultants were responsible for managing the project management office, reporting to the management and monitoring the progress and risks involved in implementing the measures.

The restructuring soon brought the desired effect, resulting in a sustained improvement in performance and results. The immediate action program exceeded its target by five percent; the results of the cash program were also above the plan. The value of the company increased significantly.

## STEP 2: PREPARE AND CARRY OUT THE SALE OF A COMPANY

During the restructuring process, strategic challenges facing the company became increasingly apparent. Haselhorst Associates provided support in the conceptual development of strategic alternatives. This included the sale of the company to a strategic investor.

Management decided to choose this option. Our consultants accompanied all phases of the sale and took over the research of all relevant information, the entire due diligence and contract management.

### Benefit

## SUCCESSFUL COMPANY SALE AFTER SIGNIFICANT PRICE INCREASE

Successful turnaround was a prerequisite for the sale of the company to a strategic US investor. The transaction was carried out only because the restructuring concept led to lasting structural changes. Haselhorst Associates made a significant contribution to smooth sale of the company through intensive preparation of the sales negotiations and carrying out the due diligence on the seller side. The price achieved in the transaction reflected the value of the company, which had been significantly increased by the profit and cash program.

The sale was a decisive step to put the company on a long-term course of success. Investor's commitment ensures that the automotive supplier has the necessary financial strength to achieve global expansion and investment in research and development. In this way, the brand and the high-quality product range have a promising future in the international automotive markets. The company is ideally positioned to meet future challenges stemming from structural changes in the industry.

### In detail

## THE THREE PROJECT PHASES

### I. Restructuring

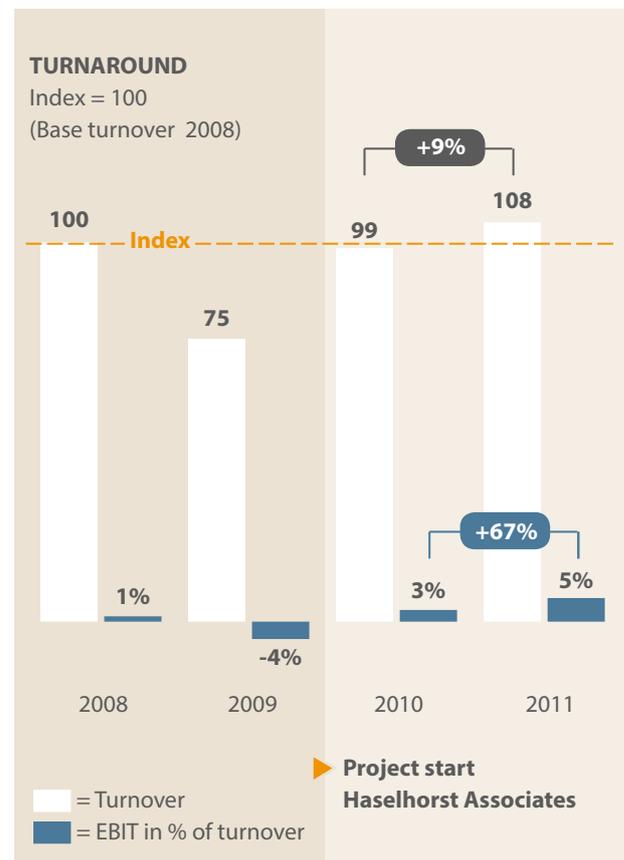
- > Immediate action program
- > Cash program
- > Profit program
- > Project management

### II. Strategy

- > Development of strategic alternatives
- > Evaluation and recommendation
- > Development of the organization and adaptation
- > Identification of synergy potential

### III. Sale of a company

- > Consolidation of information
- > Preparation of the transaction
- > Preparation and execution of Board Room Due Diligence
- > Support in contract management until closing





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