

Ventor LLC White Paper

Wholesale Distributor-Sportswear

I. Introduction.

A Sportswear company (code name Star Corp.) with revenue of about \$100 million, found that its profitability, liquidity and covenant ratios had declined dramatically in the face of changing competition brought about by manufacturers' incentives. Many industry participants were selling product at below cost in the expectation that they could win one of the lucrative incentives awarded annually by these manufacturers.

Star Corp. had in fact won multi-million dollar incentives in previous years. However, it had missed one year, which required that the company live with the actual costs of distribution and customer profitability, rather than an external payment.

II. Chronology.

Ventor LLC was referred by a close advisor to the CEO, and was charged with providing a 30-day assessment that included the findings from Ventor's signature methodology, "Core Products/ Core Customers." These findings, along with other due diligence deliverables include operating and financial analyses that lead to profitability; cash flow recommendations; and a detailed set of financial projections that embody those recommendations. However, the company's bank (LaSalle Business Credit) requested a meeting in week Two. Ventor therefore provided the bulk of the engagement deliverables to meet that date.

III. Slide Set.

The following are excerpts from slides presented at that initial bank meeting. The projections themselves had been forwarded separately.

a. The meeting was governed by this agenda:

Suggested Agenda for LaSalle Meeting

- Simson engagement/Scope
- What We Found
- Warehouse-Level Analysis/Conclusions
- Inventory
- Customer Analysis/Conclusions
- What has been Done
- Discussion of Projections
- Conclusions and Next Steps



b. ...Followed by a simple Executive Summary in three parts:

What Do We Have?

Pluses

- +Demand
- +Warehouse ops.
- +Profitable Customers
- +Vendor Backing
- +Strategic Locations
- +Sales, Systems managers

Minuses

- Accounting
- Capital
- Efficiency Opportunities



What We Found has Accounting at Root Level...

- Few Written Procedures
- No Transaction History ✓
- "Pool" of accounting tasks causes errors
- Need for Collection effort ✓

Requires Professional Accounting



...Resulting in Sudden Reversal

- Some Vendor Cutoff/Confusion
- Out of stock jumps to 15% from more-normal 3%
- Slow Cash Flow



