CASE STUDY

# Cost structure optimization boosts savings, cash flow

**Kaufman Rossin identified several opportunities for an investor-backed media company to improve operational efficiency and increase cash flow.**

## CLIENT

Our client, a multi-national digital media portfolio company of a global private equity firm, implemented a workforce restructuring initiative as it faced increased demand uncertainty in a rigid short-term cost structure.

## INSIGHTS

Kaufman Rossin's Business Consulting Services Team identified opportunities to reduce workforce expenses and quantified financial resources associated with a wind-down across the company's operations in Latin America and the U.S.

Our team presented actions to minimize restructuring charges and developed a 13-week cash flow forecast to understand capital requirements. We also quantified the risk to cash flow in the event of a down-side scenario.

## CHALLENGE

*The private equity firm sponsoring the company wanted to understand the company's ability to generate cash flow after implementing a reduction in force (RIF), and determine if operational efficiencies were possible within its current state of operations.*

*Moreover, the firm wanted to better understand financial liabilities associated with the RIF and to what extent they could mitigate them.*

## SOLUTION

The Kaufman Rossin team:

- *Assessed visibility across the company's cost structure by evaluating vendor expenses*
- *Evaluated potential cost savings by determining the priority of workforce expenses and assessing internal processes and controls designed to limit material cost overages*
- *Identified and quantified qualified severance and termination payments of commercial lease agreements in the context of employment and labor laws for each of the company's locations*
- *Analyzed key business segment drivers, profitability trends and the pro-forma impact of the RIF to estimate the expected future value of cash flows under different operating scenarios*

### RESULTS

Kaufman Rossin helped the company understand its near-term capital requirements under different operating states and avoid an imminent liquidity crunch by introducing a 13-week cash flow forecast.

We also helped to reinforce the private equity firm's commitment to the company's long-term strategic growth plan. In addition, increased free cash flow allowed the company to rely less on external credit facilities and therefore created savings in debt service costs.

**$1.5 million** in savings (annually)

**15-day** reduction in cash conversion cycle (from 45 to 30 days)

**10%** improvement in operating margin

**30%** reduction in workforce over 6 months

### OUR ROLES

- *Business Consulting*
- *Corporate Finance & Strategy*
- *Business Improvement*

Disclaimer: Certain details have been omitted or obscured to protect the client's privacy.