

All thoughts must be distilled into action and action that brings results.

THE FASTER AN ACQUISITION IS COMPLETED, THE FASTER THE BENEFITS ARE GAINED.

When AEA Investors acquired Houghton International, they knew that the global supplier of metalworking fluids and chemical management services was an excellent platform for growth in a fragmented industry.

Upon appointment, new Houghton CEO Paul DeVivo stated that he planned to 'grow profitability by increasing volume and improving efficiency.'

Celerant Consulting was selected to work with the management team to achieve this vision.

Celerant was initially engaged to complete a capability assessment of Houghton's global processes.

As a result of their findings, Celerant continued the engagement to implement an Operational Excellence programme focused on process improvement and achieving significant efficiencies. In tandem, Celerant was further engaged to complete a thorough Operational Due Diligence and Merger Integration programme of Houghton's first major external growth initiative: the acquisition of D.A. Stuart, another mid-market, global maker of metalworking fluids.

Identifying the springboard for growth

Celerant's analysis quickly uncovered two key areas for growth. First, familiarising Houghton's Management Team with the merger integration process so that they could efficiently integrate a company over half their size. Second, utilising the Operational Excellence programme to increase Houghton's platform profitability.

The Houghton programme team identified \$34m in annual recurring EBITDA benefits that could be achieved independently of the acquisition, by re-engineering its sales and marketing, purchasing, supply chain, R&D, finance and HR functions. They also identified an additional \$32m in one-time working capital improvements that would provide a powerful springboard for growth.

Executing the deal smoothly and synergistically

The Celerant and Houghton team now began their biggest task - preparing the Houghton Leadership team for the acquisition of D.A. Stuart.

The Celerant team had already estimated that \$33m in annual recurring EBITDA synergies could be realised from acquiring D.A. Stuart, in addition to \$3m in one-time working capital improvements, and now geared up to support the transaction effort on several fronts:

- Providing operational due diligence support to aid development of the acquisition's commercial terms.
- Working with both Houghton and D.A. Stuart to plan all aspects of the integration, from creating a successful merger platform, to preparing a seamless Day 1, to all subsequent integration activities that would be needed once the companies were officially joined.

- Training the Houghton Leadership Team throughout the process.

- Documenting all work in a 'Houghton Playbook' that could be used to support future due diligence and merger integration projects.

Executing the deal smoothly and synergistically

The due diligence team was tasked with analysing Houghton's current state operations against those of D.A. Stuart. They developed an operational opportunity assessment for D.A. Stuart to support Houghton's transaction decision-making, valuation and financing modelling, which was later used as a component within the overall synergy analysis.

Also included in the analysis was an operational opportunity assessment within each functional area across the businesses, as well as a review of the strategy and business plan viability, organisational capabilities and effectiveness, asset footprint, operational CAPEX and revenue, resource and supplier stability. This effort culminated in the assessment that \$33m could be gained from synergy benefits.

5 Integrated Workstream Plans for a successful Day 1

The integration planning effort consisted of developing Day 1 and post-Day 1 integration plans to support the resource, organisational and functional requirements that would be necessary to operate as a single entity. The integration planning team formed 5 workstreams:

Finance - accounting, billing, accounts payable and insurance.

Operations - manufacturing, purchasing, logistics and sales and operations planning.

'Celerant commanded the situation with a professionalism and grace that kept us involved and satisfied, while making Houghton International feel comfortable that their best interests were at heart.'

Gary Cappeline, Operating Partner AEA Investors

Technology - R&D, technical services and EH&S.
Support Services - HR, corporate communications and legal.

Customers & Products - sales, marketing and product management, customer service, marketing communications.

These were supported by an Integration Management Office and an overall steering committee to expedite decision making and issue resolution.

As Paul DeVivo explains *'The key outcome of our planning effort was to ensure that Day 1 was executed flawlessly, with little impact on customers, employees and suppliers. The merged business should not skip a beat on Day 1. The other target was to craft a robust synergy assessment and capture plan so that we could immediately begin executing redundancy elimination and consolidation efficiencies post-close. We are continuing to work with Celerant to implement their integration recommendations so that we can emerge from the merger as a stronger, more competitive business with a broader geographic footprint and base of products.'* ■

RESULTS

- Almost \$34m in annual recurring EBITDA benefits were achieved independently of the acquisition, in addition to \$32m in one-time working capital improvements.
- Almost \$33m in annual recurring EBITDA synergies were realised from acquiring D.A. Stuart, in addition to \$3m in one-time working capital improvements.