

Transportation Company

Chief Financial Officer

A transportation company (solid municipal waste hauler) with \$100 million in revenue was losing nearly \$1.6 million in EBITDA monthly, prompting its private equity owner to seek a turnaround.

Situation

- The PE owner had purchased the assets of the company through an Article 9 foreclosure, but the company continued to be unprofitable.
- The company had aged equipment that experienced deferred maintenance for many years, resulting in high operating expenses and out-of-service issues.

Turnaround & Restructuring Initiatives

- Reviewed the financial statements and identified assets not entered as part of the acquisition accounting, increasing equity by \$6.8 million.
- Implemented 13-week cash flow forecasting.
- Negotiated payment plans with critical vendors for past due balances.
- Increased terms on trade payables by 30 to 60 days.
- Negotiated a full-service lease contract for 60 vehicles to provide new equipment and reduce maintenance costs associated with old, high-mileage equipment.
- Analyzed fuel procurement processes and found that nearly 70% of fuel purchases were priced at retail cost rather than on a discounted cost-plus basis.
 - Established a plan to reduce fuel costs by negotiating with fuel suppliers and truck stop chains.
- Reviewed the workers compensation program and found that over 500 drivers were misclassified as “garbage/refuse collectors” rather than “drivers”.
- Restructured accounting classifications to create location P&Ls.
 - Management reviewed controllable P&L performance with local decision-makers.
 - The information was used to reduce expenses and more fully understand revenue sources.

Results

- Conserved \$4.5 million of cash by negotiating extended payment terms with vendors.
- Reduced maintenance costs by \$1.4 million through converting to a full-service lease model.
- Reduced fuel expense by \$1.2 million through redesigning fuel purchasing processes.
- Reduced workers compensation expense by \$700k over two years through properly classifying drivers.