

CONFIDENTIAL

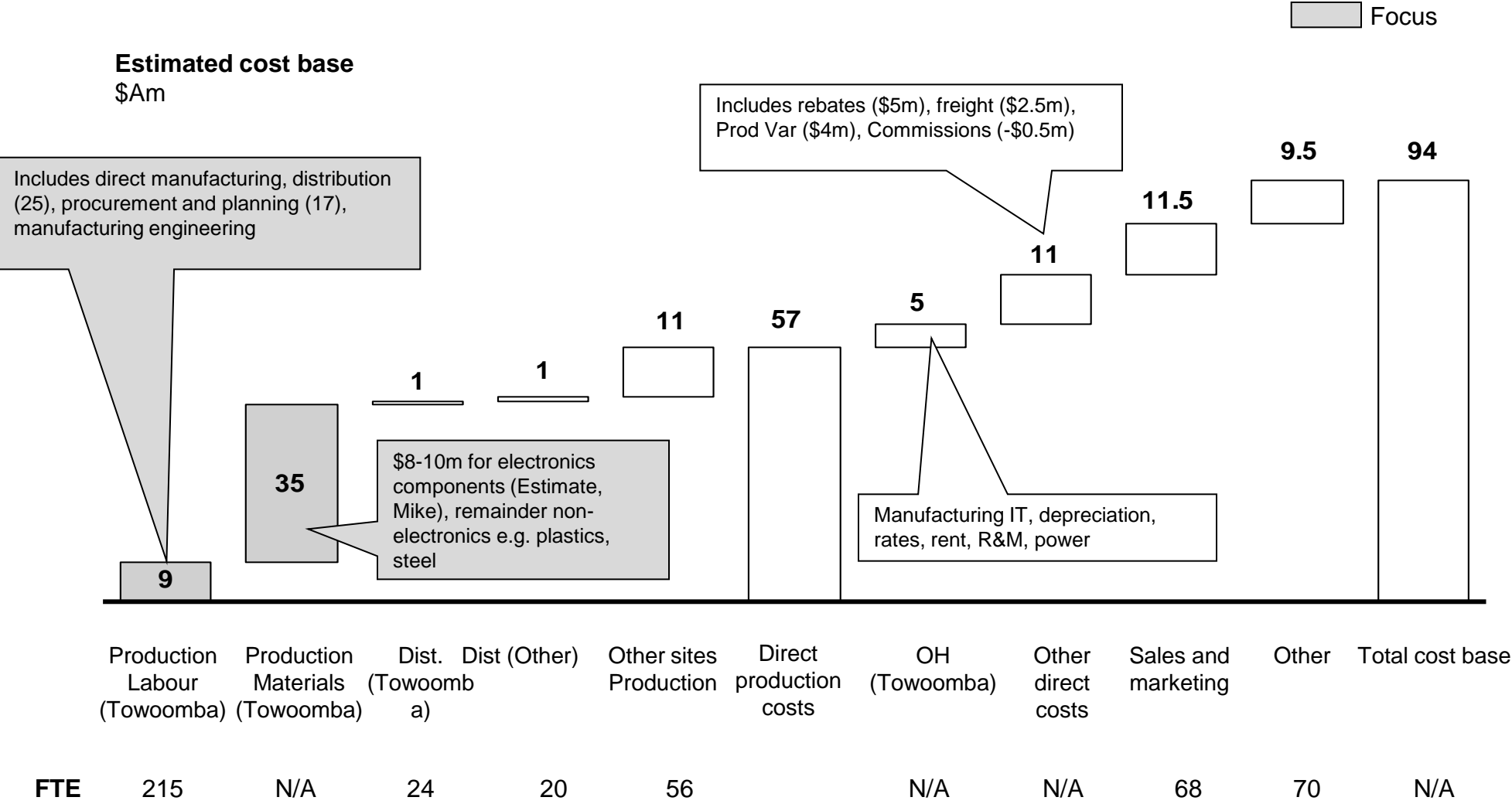


FabriCo Diagnostic: Day One insights

Private Equity Co

Sanitised Discussion Document

FABRICO TOTAL COST BASE (FY07 ACTUAL)

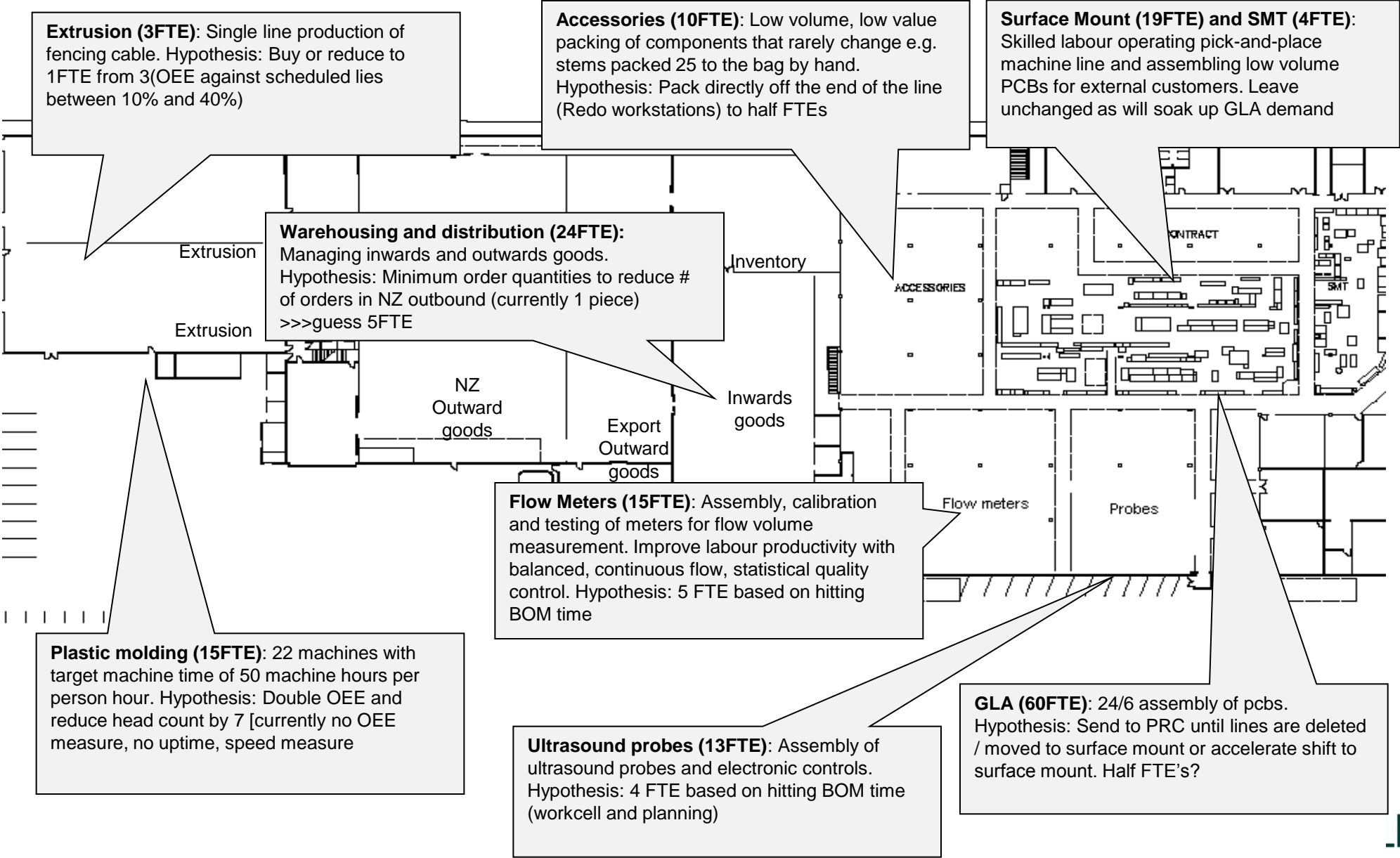


*Excludes StartUpCo
Source: FabriCo financials, team discussions

PHYSICAL CAPABILITY: POCKETS OF GOOD PRACTICE EXIST BUT ARE GENERALLY VARIABLE

	Capability	Comments
Just-in time	Takt Time	No evidence of cycle time measures (target or actual)
	Continuous flow	Not a continuous process, no evidence of line balancing, much of production follows stop-start approach, batches between workstations
Man/machine design	Abnormality detection	Extensive testing e.g. every probe tested three times during assembly. No evidence of error robustness (Poka Yoke) design in product or process e.g. placement of through hole resistors
Flexible manpower systems	Cell / line layout	Variable workstation layout e.g. tooling. Workflow appeared nonlinear
	Plant design	Inwards and outwards goods in centre of facility. Requires some materials to travel 2-400m from inwards to outwards goods
	Standard operations	No evidence of SOPs at work stations. BOM is base work document. Samples available for operators (e.g. molding, GLA PCBs)
Support systems	Visual Management	Visual Management good in some places e.g. Surface Mount line, procurement, variable in others. Primary metrics being focused on are DIFOT. Two of ~ 10 departments measured uptime for machines. No other production focused metrics in place.
	5S	Variable housekeeping e.g. raw materials aisles overflowing with plastics, shadow boards in place but tools missing. Good example of Best Practice in GLA section (Photo of cabinet, very tidy)
	Inventory management	Three different Kanban systems in place managed by different suppliers (3 suppliers have onsite inventory they manage). High inventory at present (~20m) comprising ~\$10m RM and WIP and \$10m completed work. Multiple product lines.
People	Continuous improvement	Toolbox meetings held daily focusing on H&S and variance to key metrics. One observed. No global metrics being focused on. No evidence of Team Focus Areas

DIFFERENT OPPORTUNITIES EXIST ACROSS THE BUSINESS: INITIAL HYPOTHESES



SUMMARY OF HYPOTHESES OF VALUE UPSIDE

	Description of initiative	Estimated value range \$Am	Comments
Materials	<ul style="list-style-type: none"> Procurement initiative to reduce # SKUs (10,000 inbound, 1500-2000 outbound) and cost per SKU 	<ul style="list-style-type: none"> 3-5 	<ul style="list-style-type: none"> FabriCo estimate, 10-15% of current costs
Production labour	<ul style="list-style-type: none"> Multiple initiatives focused on improving labour cost per product (e.g. work flow, removal of waste time) 	<ul style="list-style-type: none"> 3-4 	<ul style="list-style-type: none"> 3-4m is top down based on hitting target BOM times (60-70% at present) Bottom up from hypotheses on previous page (60+ FTE out, 2.5m) and flattening production (\$0.5m). Note some top down estimates here as well
Total		<ul style="list-style-type: none"> 6-9 	

SUGGESTED ANALYSES: MANUFACTURING

Opportunity area and summary opportunity	Opportunity description	What analysis would prove these hypotheses wrong?
Warehousing and distribution (24FTE):	Managing inwards and outwards goods. Hypothesis: Minimum order quantities to reduce # of orders in NZ outbound (currently 1 piece) >>>guess 5FTE	<ul style="list-style-type: none"> • The number of and time for pick and places required cannot be reduced further? • Analysis: How many pick and places are done per week? What is the time per p&P? Labour productivity?
Plastic molding (15FTE):	17 machines with target machine time of 50 machine hours per person hour. Hypothesis: Double OEE and reduce head count by 7 [currently no OEE measure, no uptime, speed measure	<ul style="list-style-type: none"> • OEE is already running at 80% plus • What is current OEE? Labour normalised OEE?
Extrusion (3FTE):	Single line production of fencing cable. Hypothesis: Buy or reduce to 1FTE from 3(OEE against scheduled lies between 10% and 40%)	<ul style="list-style-type: none"> • Cost of outsourcing is greater than cost of doing inhouse (total cash costs) • Analysis: What is for estimated outsourced / buy-in cost per unit? What are the current fully allocated cash costs?
Accessories (10FTE):	Low volume, low value packing of components that rarely change e.g. insulators packed 25 to the bag by hand. Hypothesis: Pack directly off the end of the line (Redo workstations) to half FTEs	<ul style="list-style-type: none"> • Accessories would have to be made on multiple machines necessitating expensive conveyors • Analysis: Can all accessories be run on one / two dedicated machines?
Surface Mount (9FTE) and SMT (9FTE):	Skilled labour operating pick-and-place machine line and assembling low volume PCBs for external customers. Leave unchanged as will soak up GLA demand	<ul style="list-style-type: none"> • Analysis: Would like to check machine utilisation to see whether there might be any opportunity here
GLA (60FTE):	24/6 assembly of pcbs. Hypothesis: Send to PRC until lines are deleted / moved to surface mount (SM) or accelerate shift to surface mount. Half FTE's?	<ul style="list-style-type: none"> • The addition of three weeks (deliver to PRC, assemble, return) would not be possible under DIFOT or time to set up exceeds current forecast shift to SM technology • Analysis: Could three weeks be added to delivery without changing anything else? What is the current timeline to shift to SM? What is estimated cost per unit in PRC?
Ultrasound probes (13FTE):	Assembly of ultrasound probes and electronic controls. Hypothesis: 4 FTE based on hitting BOM time (workcell and planning)	<ul style="list-style-type: none"> • BOM times are unrealistic. • Analysis: Assess components of BOM time against actual measured by team
Flow Meters (15FTE):	Assembly, calibration and testing of meters for flow volume measurement. Improve labour productivity with balanced, continuous flow, statistical quality control. Hypothesis: 5 FTE based on hitting BOM time	<ul style="list-style-type: none"> • BOM times are unrealistic. • Analysis: Assess components of BOM time against actual measured by team



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