

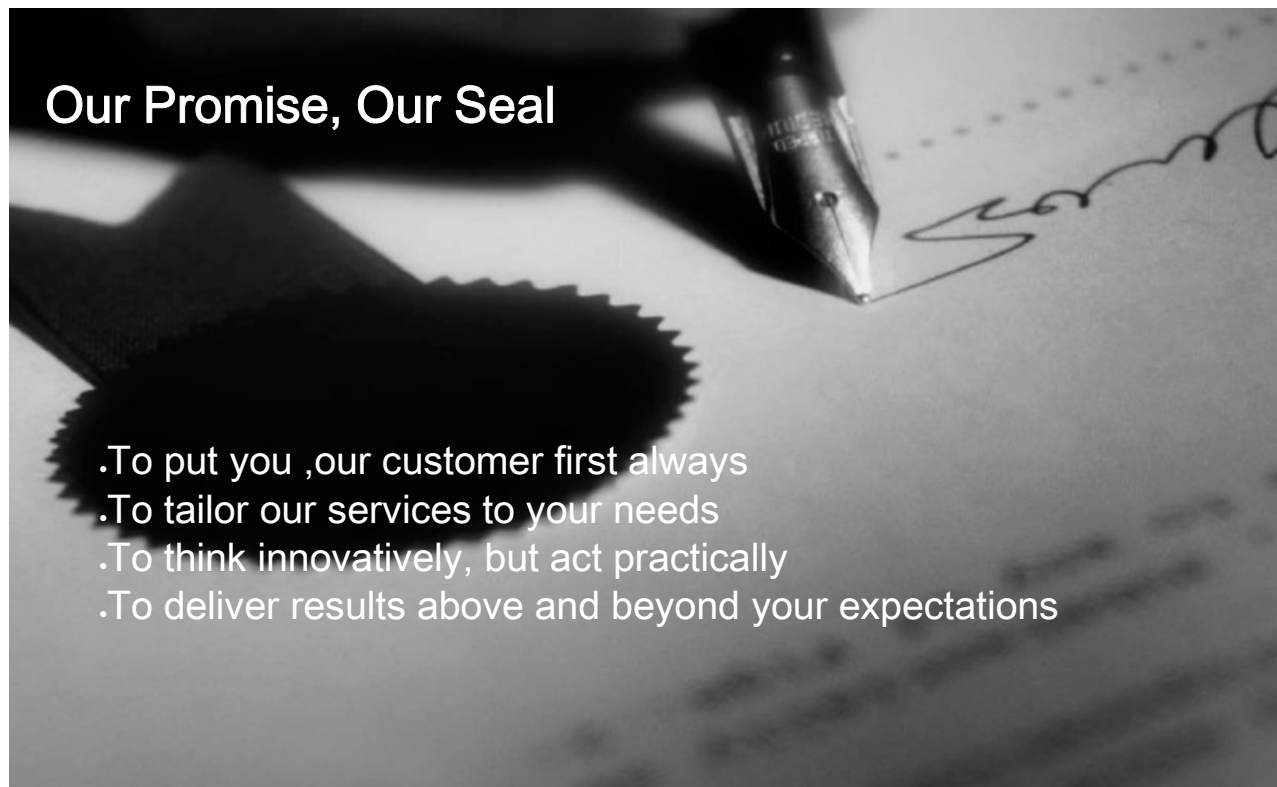
Development and Implementation of a Manufacturing Asset Optimization Programme

WHITEPAPER



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About Asset Optimization

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Africa has experienced an unprecedented demand for raw materials products and processed goods this has lead to manufacturing plants, production facilities and many ancillary infrastructure assets been pushed to limits well beyond their initial design specifications.

The urgency to get more from less has brought many facilities to breaking point. Maintenance of the asset, a cost not directly linked to productivity or revenue generation, is often deferred or worse, ignored. Organizations will take a range of approaches to asset management with varying results:

1. Measured and controlled **asset debottlenecking exercises and asset efficiency design upgrades through sustainable work capital programs**. These programs generally result in engineering standard and legislative compliant designs and production optimized assets that will continue to deliver enhanced production throughputs in future years.
2. **Fast track projects that deliver immediate returns and enable the asset owners to capitalize on the demand experienced during these years**. While these programs generally comply with the engineering design and legislative requirements, many are not optimized, and deliver suboptimal performance and efficiency.
3. Increased production throughputs via existing assets, reducing access to plant for planned preventive maintenance and managing the higher rate of asset degradation through increasing breakdown maintenance. This short term action solution results in overloading, higher wear out.

About Asset Optimization

Strategic asset management enables an organization to find the optimum level of asset management and maintenance activity to meet their organizational plans. Focusing the appropriate resources on critical assets to perform an optimum level of maintenance work has proved to reduce production costs.

As manufacturers move to a strategy of higher levels of automation to further reduce dependency on labour costs, this focus on intelligently optimising the asset becomes even more important.

The solution lies in working to create a proactive culture, which drives asset management improvement plans that guide the engineering, project delivery and operations activities in the plant, process, product and people, to eliminate, prevent and control functional failures and extract greater value from existing investments.

The solution also lies in looking at the facility, its processes and its equipment with a **forensic engineering lens, identifying equipment with the highest run time hours or lowest availability rating, to find the weak point in the production chain.** This type of analysis roots out the highest likely causes for breakdowns and production interruptions and eliminates them by implementing improvement plans and actions for execution by their maintenance practitioners.

Why your Manufacturing Business needs to Optimize its Asset portfolio.

Asset Optimization

- Asset Optimization is the process of analyzing the value of assets in an Institution to yield the greatest **Return on Assets (ROA)**
- The post-financial crisis have made institutions to be forced to face certain market realities, which in short term and potential the long term, entail a more proactive approach to **managing their bottom line.**
- Asset Optimization is an Approach to using the Asset potential for revenue growth. **It recognizes that assets – buildings, land , plants & equipment etc.- have an impact on both the balance sheet and income statement and that timing can play an important factor in getting the best ROA.**
- Hence **financial performance of these assets** is directly related to the financial well being of your company

What is Involved in the Programme

Action Plan

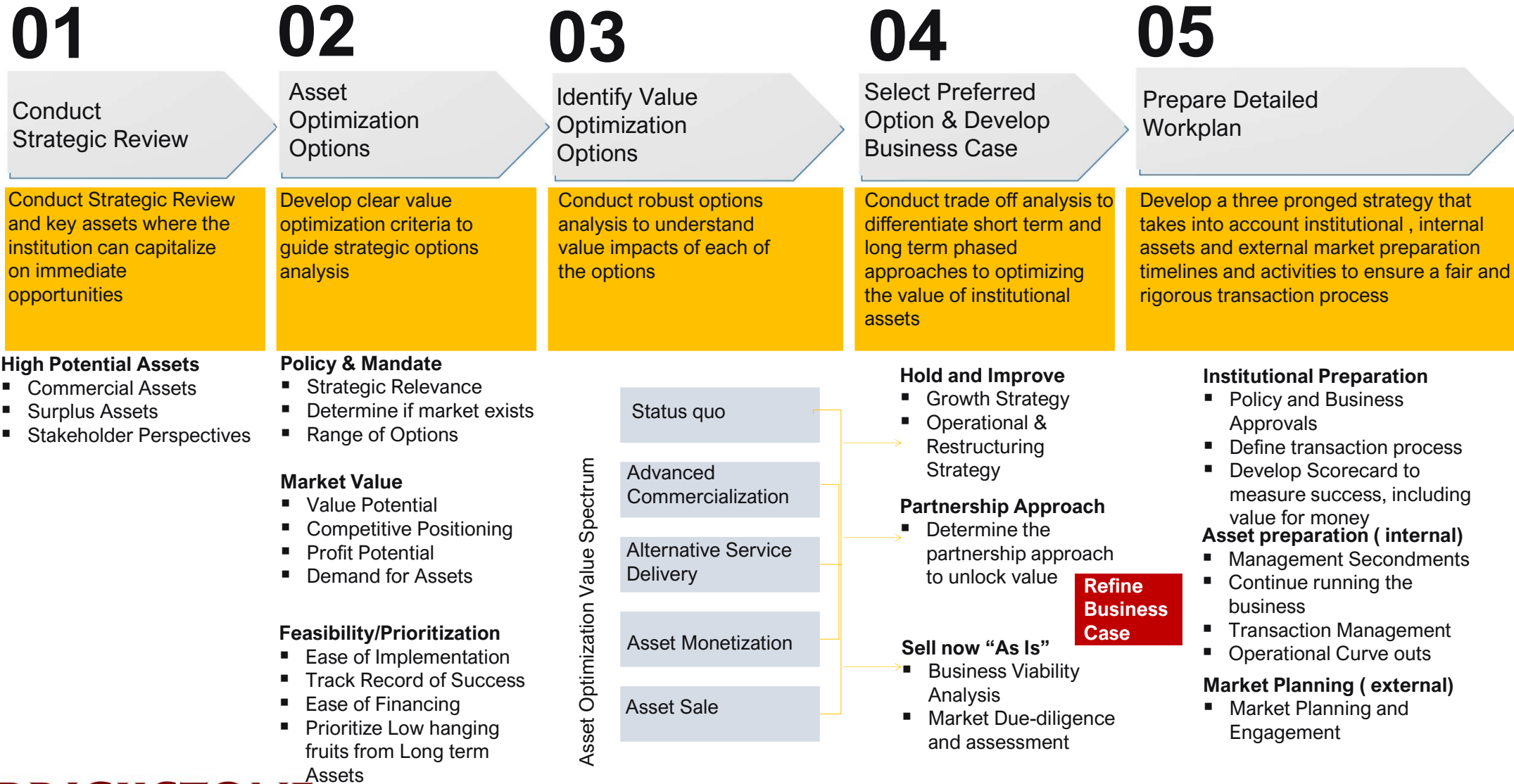
- ❑ We understand how a developed integrity management strategy as an asset class, continues to offer several important benefits to the **Global Asset Portfolio of the Company**
 - Portfolio diversification through low correlations to other asset classes
 - Manufacturing is in the end a local business, with cash flows and capital appreciation linked to the physical assets and influenced by local economic conditions, and allowing many diversification opportunities
 - Solid cash flows through rents
 - Inflation protection

- ❑ We believe your company should look to develop a **comprehensive asset management strategy that is focused on examining all of its existing assets**. These typically involves the following
 - Conducting a Strategic Asset Review Employing Brickstone Value Optimization Framework
 - Assess Optimization Options
 - Identify Value of Optimization Options
 - Select the preferred Option& Develop Business Case
 - Prepare Detailed Work Plan

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Our Approach

Implementation Framework for Asset Optimization



Phase I: Conduct a Strategic Asset Review

Conduct strategic asset review

Policy direction

- Academic mission
- Budget
- Legislation

Business drivers

- Fiscal sustainability
- Service risk management
- Business rationalization
- Service improvement/enhancement
- Institution strategic goals

High potential assets

- Commercial assets
- Surplus/ancillary assets
- Assets In competition with private sector
- Stakeholder perspectives

Input from key stakeholders

- ❑ Asset optimization is the process of analyzing and using the value in the assets of an institution to yield the greatest return on assets (ROA).
- ❑ Asset optimization aims to utilize an asset's potentials. In recognizing that assets have an impact on both the balance sheet and income statement, and that timing can play an important factor in getting the best ROA
- ❑ The asset optimization process starts by developing:
 - a clear understanding of policy direction,
 - articulating the key business drivers
 - completing an inventory of high potential assets
- ❑ Such an understanding will be critical to identifying areas where the Client can capitalize on immediate opportunities and formulate a longer term strategy for asset holdings.
- ❑ Throughout the entire process, meaningful engagement and appropriate involvement of different stakeholders is a critical success factor.
- ❑ Engagements of the different shareholders will greatly influence whether the desired outcomes are reached and will help maintain and build relationships.

Phase II: Assess Optimization Options

Assess optimization options

Policy and mandate

- Strategic relevance
- Academic service delivery

Determine if market exists

- Determine if market exists
- Range of options

Market value

- Value potential
- Competitive positioning
- Profit potential
- Demand for assets

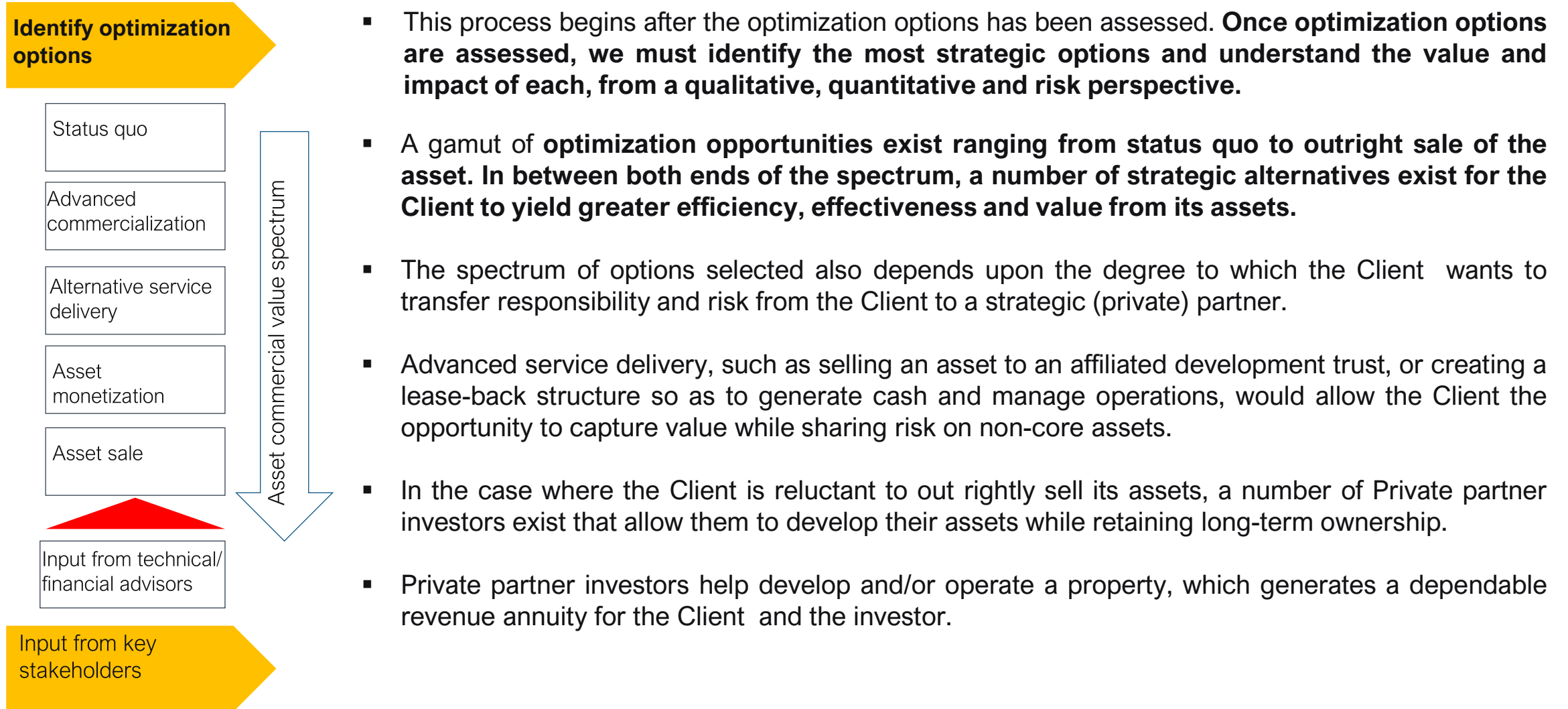
Feasibility/Prioritization

- Ease of implementation
- Track record of success
- Ease of financing for buyers
- Assets value for money

Input from key stakeholders

- ❑ A clear optimization criteria is key to making a strategic options analysis. It helps in driving informed and transparent decisions.
- ❑ Along with developing a strong understanding of the value created by the asset, determining optimization options will require market analysis to assess macro trends as well as future price points for the asset.
- ❑ It is critical that firms manage their assets to optimum value. Organizations often hold surplus assets and there is sometimes a strong reluctance to dispose of the asset even though it may not be meeting the organization's goals.
- ❑ Policies around the acquisition and divestiture of such assets and in some cases its monetization are often lacking in organizations.
- ❑ By looking to monetize these assets, organizations would profit by
 - reducing their deferred maintenance
 - improving cash flow
 - adding capital towards other more strategic development projects.

Phase III: Identify Optimization Options



Phase IV: Select preferred option & develop business case

Select preferred option & develop business case

Hold and improve

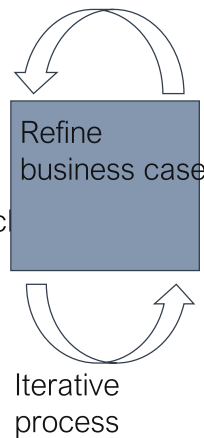
- Growth strategy
- Operational & restructuring strategy

PPP Solutions

- Determine partnership approach to unlock value

Sell now As is"

- Business Viability analysis
- Market due diligence and assessment



- ❑ Having established the strategic optimization option and its associated value, a final report of key findings will be prepared based on the asset operating model and business case
- ❑ In this phase, the Client must consider the tradeoff between:
 - Transacting now and using the funds for immediate deployment (immediate disposition), or
 - Improving growth and profitability to increase value of the asset and maximize future value.
- ❑ From a portfolio management perspective, it may be prudent to develop a phased approach strategy outlining short term and long term requirements for optimizing the value of the assets.

Input from key stakeholders

Phase V: Prepare Detailed Work-plan

Prepare detailed work plans

Institution preparation

- Policy and business approvals
- Governance strategy & decision-making structure
- Define /structure transaction process
- Enabling legislation
- Consider deployment and re-deployment of invested capital
- Develop scorecard to measure success, including value for money

Asset preparation (internal)

- Project management
- Management secondments
- Transaction agreements, operational carve outs

Market preparation

- Market planning and engagement, vendor and top up due diligence/data completeness, capital structuring and raising to facilitate sale

- In order to execute the preferred transaction options, a governance and decision-making model that allows for accountability and a clear distinction of roles and responsibilities for all key players would be developed.
- In addition, a fair and rigorous transaction process will be structured. It is to be ensured that policy and legislative approvals are in place to execute the transaction.
- Focus must be placed on how to manage public perception and build market confidence in the process.
- Assets will need to be prepared internally for value optimization.
- The optimization process will be conducted while paying attention to the Client's culture, reputation and brand at all times. This will be addressed through the process if the advisory committee including stakeholders was established and effectively engaged as laid out earlier.
- Lastly, in order to create market interest, the Client will need to develop a market planning and engagement strategy (i.e, "road show" strategy).

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