Best Brands Achieves Business Turnaround and Doubles Profitability With MGMT3D and EBM Software

“MGMT3D provides the tools you need for real-time visibility, allowing you to look through the front window rather than the rear view mirror as you’re trying to steer a business. Using EBM Software at Best Brands we were able to better understand the profitability of our products, product lines and customers and tie that to business decisions – it was a real enabler for our business turnaround.”

– G. Scott Humphrey, Former CEO, Best Brands Corp.

**Organization Information**

- One of the largest premium bakery manufacturers in the U.S. market; sold to a worldwide bakery products supplier in 2010.
- Product portfolio included laminated dough, cakes, muffins, fillings and mixes, along with a leading position in value-added frozen products sold to in-store bakeries.
- Served food service customers and retail wholesale bakeries through three distribution centers.
- Operated six major production facilities across the United States with a workforce of more than 1,500 people.
- Founded in 1971 and headquartered in Minnetonka, Minnesota.
- MGMT3D business intelligence consulting services

**Organization**

Best Brands Corporation

**Location**

Minnetonka, Minnesota

**Industry**

Baked Goods Manufacturing
Within just 16 months, EBITDA had grown from $30 million to $72 million and gross margins had improved nearly six points.

## Business Benefits Realized

- Played a key role in business turnaround during a cash-flow crisis. In the 16 months following implementation:
  - EBITDA grew from $30 million to $72 million
  - Net cash available grew more than $40 million
  - Gross margins improved nearly six points
- Provided much-needed item and customer-level cost and profitability information to guide pricing decisions at a time when commodity prices were rapidly rising.
- Enabled company executives to make strategic data-based decisions to realign operations, pricing and products in order to ensure profitability and satisfy loan conditions.
- Integrated financial data from multiple legacy ERP systems to provide a real-time, company-wide financial view and facilitate a successful sale.

It was 2008, and it was a hard time to be in business anywhere: banks were collapsing, commodity prices were rising rapidly, and lending requirements were tightening severely. At Minnesota-based Best Brands Corporation, these factors combined to create a “perfect storm” that put the bakery products business in jeopardy.

“The commodities we were using to make our products – including flour, sugar, oil and eggs – were experiencing rapid, record inflation,” says Eric Ahlgren, who was Best Brands Vice President of Finance. “The price of everything was rising and our business was relatively immature in the way it could react. We didn’t have quick access to the right information, and as a result we were very late in changing our pricing to reflect commodity prices. This resulted in a significant cash-flow crisis that started to trip the covenant protection on our loans.”
The Best Brands executive team realized one of the key problems they faced was a lack of visibility into item- and customer-level profitability. “We needed a way to quickly react to marketplace changes, and to do this we needed visibility of our information in real time,” says former Best Brands CEO Scott Humphrey.

Feeling the Pressure

As a result of the cash-flow problems, the banks began putting pressure on the Best Brands leadership to sell the business. However, the company’s executives and private equity investors knew selling during the crisis would result in big losses for the investors and that the sale price wouldn’t reflect the company’s true value. They negotiated an extension with the banks — but they would need to turn the business around quickly if they wanted to avoid even bigger problems with their lenders.

Because of the tight timeline and financial pressures, starting from scratch with a new ERP system wasn’t a viable solution. However, the company had several different legacy ERP systems as a result of acquisitions, as well as multiple subsystems within those systems. They needed a way to pull together consolidated reporting from those disparate systems quickly and effectively. To accomplish this goal, they partnered with Minneapolis-based business intelligence provider and consulting firm MGMT3D to implement the Enterprise Business Management (EBM) Software solution.

Gaining Essential Insight

Knowing they had no time to spare, the MGMT3D team immediately began implementing the full suite of software tools. The General Ledger Cube was used to combine three legacy ERP systems into a single, consolidated financial look that allowed executives to gain a clear picture of the company’s overall financial status. The Profitability Cube was also quickly rolled out to provide complete visibility into Best Brands’ financial picture through a powerful customer and item-level profitability analysis tool. As a proactive compliment to the cubes, the EBM Financial Planning and Volume/Rate Planning modules created a clear picture of the company’s financial outlook through a web-based sales planning interface, real-time budgeting and forecasting tools, and accurate volume planning for the company’s eight production facilities.
By leveraging the EBM software suite to make strategic business decisions, Best Brands management was able to rapidly retool the business. “With the MGMT3D tools, we were better able to understand the profitability of specific products and product lines, optimize manufacturing operations, provide our sales team with the information they needed to focus their efforts on our most profitable customers and products, and manage raw materials costs,” says Humphrey.

A Rapid Turnaround

The results of the MGMT3D implementation – coupled with strategic decision making by the management team – were quickly evident. “In relatively short order, financial performance improved dramatically,” says Paul Cascio, a partner at Best Brands private equity investor group Brantley Partners. “MGMT3D allowed us to get the information we needed to make management decisions based on real-time information – it was a critical component of the management’s ability to execute a turnaround plan.”

Within just 16 months, EBITDA had grown from $30 million to $72 million and gross margins had improved nearly six points. Now, Best Brands was in a position of strength that its investors could use to negotiate a profitable sale – and again the EBM software proved invaluable. “We were able to answer all the questions that came up in the sales process at an extraordinary level of detail thanks to the MGMT3D solution,” says Cascio.

In 2010, Best Brands Corporation sold to a leading worldwide bakery supplier for more than $500 million. The company’s executive team says MGMT3D played a critical role in the profitable turnaround and highly successful sale. “The EBM software suite is fairly inexpensive, fast and delivers critical real-time business insight,” says Ahlgren. “Perhaps most importantly, the MGMT3D team has the business expertise needed to interpret the information, make decisions and drive results.”