Prodomax – Post merger experience | Capital Market Days 2019
Don Leslie – Head of BU Automation & Integration | November 2019
Prodomax Automation Ltd. is a specialized industrial engineering firm focused on the design, manufacture and construction of complex automated manufacturing solutions that integrate the latest technology innovations primarily for the Automotive Industry.

Founded in 1971 and located in Barrie, Ontario, Canada, prior to the acquisition, Prodomax employed approximately 180 employees and operated out of two assembly facilities totaling 18,500 square meters.
01 Starting Situation
Prodomax History and Key Milestones

1971
Prodomax was founded by former Nortel Tool & Die maker
- Primarily doing business in telecommunications

1984
Prodomax was purchased by another Tool & Die maker
- Primarily designing and building machining centers

1994
Sab Ravalli and David Crook acquired Prodomax (annual sales <$10M)
- Solutions provider
- Robotics and welding
- Underbody specialist

2012
Ford supplier assessment names Prodomax 2nd in North America & top 5% globally for Automation & Tooling Suppliers

2014
Prodomax wins Canada’s Best Managed Award

2015
Prodomax acquired by Jenoptik AG, a public technology group headquartered in Jena, Germany

2017
Win Canada’s Best Managed Gold Status Award

Private Equity Firm Kensington Capital + Investors acquired Prodomax (annual sales >$50M)

(sales C$ in million)
01 Starting Situation
What was the motivation to find a strategic partner?

1. Strong Financial Partner
   - To facilitate future growth, Prodomax required a **strong financial partner** that would enable Prodomax to take on **larger scope projects and participate in global programs where multiple systems** would be delivered to several continents.

2. Expand our Technology Portfolio – Unique Value Offer
   - Combine Prodomax’s offering with Jenoptik’s best-in-class **photonics technologies**, differentiating ourselves from our competition and providing our customers a **unique value offer – one stop shop**.

   - Historically, Prodomax has **only focused** on the North American market. JENOPTIK’s **global footprint** provides the means for Prodomax to **expand its offering into Europe and Asia**.
   - Jenoptik benefits from the partnership with an **accelerated expansion into the North American market**.

4. Diversification into other Markets
   - Capitalize on an **extended technology portfolio** and **application know-how** to penetrate other markets.
   - **Reduces business risk** by establishing revenue streams **outside of the Automotive Market**.
02 Deal Recap
Highlights of the Due Diligence Process

01 Strategic Fit
- Extended Value Offer
- Integrated Solutions
- Global Footprint
- Other Markets

02 Efficient Business Workshops
- Finance / Bus Development
- Technical / Operations
- Legal / Human Resources

03 Pre-Conditions for Deal
- Synergy Case / Financial Model
- Customs / Litigation
- Employee Profit Sharing
- ERP System
03 First Initiatives and Programs
Building the framework for a sustainable and successful integration

**Organization**
- Light & Production **Strategy Workshop**
- Prodomax Automation Ltd. took over leadership of Automation business in Rochester Hills, Michigan
  - Develop and implement **target organization** that aligns with organizational setup of Prodomax
- Implement **steering committee & guiding principles**

**Finance**
- Migrate from Canadian **GAAP to IFRS15**
- **Align and comply** with Jenoptik corporate financial reporting schedules and standards
  - Join Jenoptik **Corporate Cash Pool**
  - Join Jenoptik **Corporate Insurance umbrella**

**Compliance**
- Introduction and training on Jenoptik Corporate Guidelines
  - Code of Conduct, Risk and Compliance, Corporate Contracts, Corporate Transfer Pricing etc.
- Conduct **2018 Risk Assessment**
- **First Internal Audit** conducted in **June 2019**

**Systems**
- **Initiate** implementation of Prodomax’s ERP system **IFS in Rochester Hills**
  - Successful Go-Live on November 1, 2019
- Ensure IT network **security, stability and connectivity** between Canada, USA and Germany
- Access to Jenoptik **Active Directory and Intranet**
04 Post Merger Integration Process
Transition from Due Diligence to Post Merger Integration

Translate Due Diligence & SPA into PMI Initiatives
- Establish global interfaces to streamline
  - Communication
  - Processes
  - Decision-making
- Gather input from corporate and division management
- Track and update percentage of completion
- Review progress and objectives with management
- Report PMI progress to management
- Communicate PMI news and latest developments (Newsletter, Intranet)
- Smooth transition of long-term PMI items to responsible corporate and division management

Start 9/18 End 4/19
Creation of a Project Execution Team

- A team consisting of representatives from Project Management, Engineering and Production from each of the 3 BU’s within Division L&P has been assembled

Mission

- Leverage the Best Practices, Lessons Learned and Execution Strategies from each of the BU’s to develop a common and robust system driving Project Execution and Performance

Short Term Results

- A series of Strategy Workshops was facilitated by team members to target specific projects that could generate additional Gross Margin for 2019
- Progress is being tracked and reported monthly and as of the end of October, the team is reporting that they are on track to achieve the targeted Gross Margin generation
- The team is currently meeting weekly online to review the current Project Execution processes and tools for all BU’s to identify short term and long terms actions

Key Performance Indicators

- Reduced Time to Market
- Reduction in Direct Labor
- Higher Gross Profit
Global Program
- In support of our P2 Strategy for Integrated Solutions, we have assembled a team consisting of Subject Matter Experts across 3 Continents that have targeted a Global Electric Vehicle Program

Processes & Technologies
- The target project consists of processing a BIW Assembly made of a High Pressure Aluminum Casting
- Automated Processes include Straightening, Trimming, Laser Cutting, Grinding, Brushing, Inspection, Material Handling and Auto-racking

Global Footprint
- The target program is planned to have vehicle production in Europe, North America and Asia
- Jenoptik’s Global footprint gives us a competitive advantage to be able to support installations locally

Divisional Collaboration
- Global Customer Strategy includes demonstrating expertise and collaboration across all BU’s
- Leverage local customer relationships building confidence in Jenoptik to be the Strategic Global Supplier of choice
Thank you