

Reconciliation Review

Template

S&OP / IBP Management Review

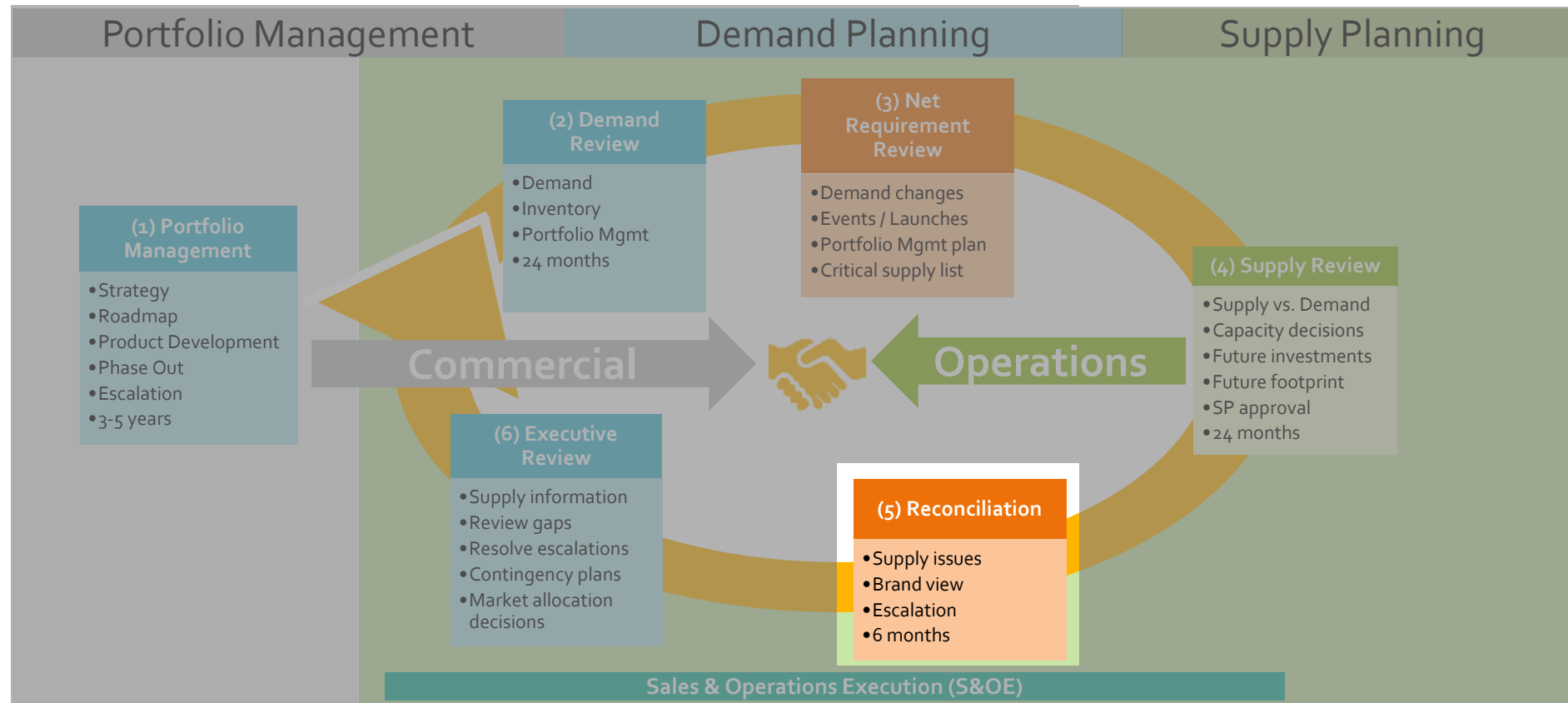
March 2021

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Executive Reconciliation Review (ERR)

Context & Objectives

The ERR within the S&OP Planning Cycle



Reference: Sales & Operations Planning – T. F. Wallace / R. A. Stahl

The ERR within S&OP Planning Structure

Demand Planning	Supply Planning	Capacity Planning	Aggregation	Time Frame
Product Portfolio Strategy & Forecasting	Network Strategy	Footprint Strategy	Division/ Franchise/ Business Unit	3 – 5 Years
Demand, Sales & Logistic Planning	Operations Planning	Resource Planning	Brand/ Product Family/ Value Stream	18 – 24 Months
Delivery Schedule	Master Production Schedule (MPS)	Rough-Cut-Capacity (RCCP)	Product Groups/ Capacity Groups SKUs	6 – 12 Months
Distribution & Order Requirements (DRP)	Materials Requirements (MRP)	Capacity Requirements (CRP)	SKUs	3 – 6 Months



Objectives of Executive Reconciliation Review

Stakeholders

Chair:

Leader Finance

Owner:

Leader S&OP Process

Finance Leader(s)

Portfolio Planning
Leader(s)

Demand (Planning)
Manager(s)

Supply (Planning)
Manager(s)

- **Strategy Review** – *check business and supply strategy alignment* – based on on set of numbers and agree on variations
- **Financial Reconciliation** – *align financial and demand planning* – gap identification & closure of Finance and Demand projections
- **Make decisions** based on *delivered scenarios* for needed changes to sales strategies and/or investment requirements to align supply
- **Authorize escalations** to Executive S&OP Review, *orchestrated by Finance*
- **Confirm plans** regarding global demand, supply, allocation and demand shaping requirements – *feedback to regional EDR(s)*
- **Review & align communication**: escalation to ESOPR, input to EPR, feedback to EDR & ESR
- **E2E performance review** throughout full supply chain based on standardized KPIs

Stakeholders and Roles

Participant	Roles & Responsibilities
Leader Finance	<ul style="list-style-type: none"> Chairman of the meeting Owns the financial reconciliation & alignment on risk & opportunities Ensure relevant impacts on P&L are considered in projections
Leader S&OP Process	<ul style="list-style-type: none"> Owns the meeting agenda and orchestrates the meeting to enable decision making Collect & prepares the content for the risk areas escalated from Demand Review (EDR) and Supply Review (ESR) Keeps track of decisions and scenarios and drives them to closure Global allocation proposals in line with pre-agreed policies for decision and alignment Ensures Executive Review (ESOPR) meeting agenda content and messages are agreed in Reconciliation Review (ERR)
Finance Leader(s)	<ul style="list-style-type: none"> Provides revenue projection roll ups, assumptions and quarterly updates, incl. pricing and margin/ mix assumptions Provides impact on Op income, Inventory, E&O and Cash Provides drivers of Op income and Cost roll impacts
Portfolio Planning Leaders(s) - Marketing	<ul style="list-style-type: none"> Market and product intelligence on demand scenarios and product revenue gap closure Provide input on global allocation proposal and provide feedback on allocation policies Provide direction to sales on demand shaping decisions
Demand (Planning) Manager(s)	<ul style="list-style-type: none"> Provides escalations from Demand Review (EDR) or region-specific risks and opportunities Provide input on demand scenarios, events and/or significant opportunities Take away inputs for demand shaping actions to be discussed in next Demand Review (EDR)
Supply (Planning) Manager(s)	<ul style="list-style-type: none"> Provides capacity investments needed for end-to-end approval Provides information on supply scenarios and service risk areas where reconciliation / decisions are needed Provide cost increment to support unconstrained demand or demand scenarios Takeaway decisions made back to supply – demand scenarios for action/ future Supply Review (ESR)

Executive Reconciliation Review (ERR)

Review Structure (Template)

Review Structure - Agenda

Topic	Content/ Description	Page(s)
Focus topics , major topics for EDR(s) & ESR for alignment	Scope of Review, Attendance & Meeting actions , Progress tracking, Exceptions and/or topics handed over from regionals Demand Reviews and Supply Review	
KPIs by Supply Chain Category, Region and/or Location	KPIs by exception (Trend & Performance review): Financials, Service, Inventory & Cash, Planning	
Demand Planning (DP) Outcomes: Revenue Projection & Forecast Alignment, Confirmed Demand, Revenue Risks	Review finance & demand projection vs. target/ budget, consensus on gaps, confirmed demand , key decisions & action items, key assumptions & risks , Demand & Supply alignment (Cost to serve, investments)	
Supply Planning (SP) Outcomes: Inventory, Supply and E&O	Review key summaries and decision from Executive Supply Review (ESR) regarding risk of service, inventory levels and E&O impact	
Allocation/ Reconciliation strategy Alignment	Aligned and approved inventory allocations and/or priorities to regions in case of supply constraints, agreed exceptions	
Strategic Updates & Deep Dives: Portfolio Roadmap, NPI & Phase Out Impact, BD	Revenue Walk, NPI & Phase out scenario review regarding volumes, commitments and initiatives, impact of M&A	
Reconciliation Review Summary	Aligned and agreed financial and demand plan with documented assumptions and transparency on accepted variations	
Executive S&OP messages and summary	Areas of executive attention (financial gap, strategic topics, capital & resource investments) and ERR summary	

ERR Participants & Stakeholders

Participants	Information sharing with
<ul style="list-style-type: none">✓ Name 1 (Role / Region)✓ Name 2 (Role / Region)✓ Name 3 (Role / Region)✓ Name 4 (Role / Region)✓ Name 5 (Role / Region)✓ Name 6 (Role / Region)✓ ... <p><u>Guest:</u></p> <ul style="list-style-type: none">➤ Name 7 (Role)	<ul style="list-style-type: none">– Name A (Role)– Name B (Role)– Name C (Role)

Attended

Focus Topics to be reviewed within the ERR

Demand Region/ Supply Plant	Page(s)	Topic / Question / Decision	Owner
Region A		Review Demand Planning results and Financial reconciliation: Assumptions, Decisions, Actions and/or topics for Supply	(Sales, Marketing, Demand Planning)
Region B		Review Demand Planning results and Financial reconciliation: Assumptions, Decisions, Actions and/or topics for Supply	(Sales, Marketing, Demand Planning)
Region C		Review Demand Planning results and Financial reconciliation: Assumptions, Decisions, Actions and/or topics for Supply	(Sales, Marketing, Demand Planning)
Supply		Review Supply Planning Summary and Financial reconciliation: Assumptions, Decisions, Actions and/or topics for Demand	(Operations, Supply Planning)

Action items & Follow up

Example

#	Topic	Owner	Due Date	Comment/ <u>Escalation</u>
1	Demand Error was not improved over the last 6 months – Process review needed to identify additional opportunities	Leader DP	31 st May 2x	
2	High variance between 12 months Demand Plan vs. Financial Plan – Root cause review and close gap to target window	Leader Finance	30 th Jun 2x	
...				

Supply topics & Follow up

Example

Demand Topic	Supply Request	Owner	Due Date	Supply Feedback
Supply rupture at Competitor A in Region 1	Ramp up Product Line B by 25% next 6 months?	Leader S&OP	31 st Mar 2x	
...				

Executive Reconciliation Review (ERR)

KPI & Trend Review

Executive Summary of KPIs

3 months rolling

Example

Category	KPI	202X Budget / Target YTD / FY	Jan 2x MTD/ YTD	Feb 2x MTD/ YTD	Mar 2x MTD/ YTD	Performance Trend	Comment
Financial	Region 1: Revenue (\$m) – MTD / YTD (% vs. target)	≥ \$73m / ≥ \$322m	\$23.2m / \$23.2m (-1.3%) / (-1.3%)	\$24.2m / \$47.4m (+0.4%) / (-0.4%)	\$26.0m / \$73.4m (+2.0%) / (+0.4%)	↑	
	Region 2: Revenue (\$m) – MTD / YTD (% vs. target)	≥ \$11m / ≥ \$50m	\$3.5m / \$3.5m (+2.9%) / (+2.9%)	\$3.5m / \$7.0m (-2.2%) / (+0.3%)	\$3.8m / \$10.8m (-7.3%) / (-2.5%)	→	Delay of NPI of Project C
	Global Revenue (\$m) – MTD / YTD (% vs. target)	≥ \$115m / ≥ \$509m	\$36.3m / \$36.3m (+0.7%) / (+0.7%)	\$37.9m / \$74.2m (+1.0%) / (+0.8%)	\$40.6m / \$114.8m (-0.9%) / (+0.2%)	→	
	COGS Cost change status (%) - YTD	≤ -3.0%	-2.6%	-2.7%	-2.7%	↑	FY Target on track
	Global Gross Margin (%) - YTD	≥ 60%	59%	62%	61%	→	Positive Mix impact from Region 1
Customer & Service	ATP Quality (%) - MTD	≥ 85%	65%	68%	67%	→	#changes still to high, 30% of actual ship dates > 10day later 1st ATP
	Region 1 Backorder (\$k) – ME (% of Sales Month)	≤ \$125k ≤ 0.5%	\$150k 0.6%	\$130k 0.5%	\$110k 0.4%	→	
	Region 2 Backorder (\$k) – ME (% of Sales Month)	≤ \$100k ≤ 1.0%	\$120k 1.2%	\$90k 0.9%	\$130k 1.3%	↑	Unforecasted Demand
	Global Backorder (\$k) – ME (% of Sales Month)	≤ \$675k ≤ 1.5%	\$950k 2.1%	\$800k 1.8%	\$750k 1.7%	↓	10% Capacity increase planned for Q2
Inventory & Cash	Distribution DII (days) – ME	≤ 150 / ≤ 120	130	128	127	→	
	Operations DII (days) – ME	≤ 95 / ≤ 90	98	99	95	↓	
	Safety Stock Health (%) - ME	≥ 90%	75%	77%	78%	→	Overall health increase not before Q3, but mix optimization in progress
	SKU below Tolerance (%) - ME	≤ 10%	18%	15%	14%	↓	
	Excess Inventory (%) – ME	≤ 30%	31%	31%	30%	→	
Demand & Supply	Demand Plan Error (%) - MTD	≤ 40%	45%	44%	45%	→	
	Net Requirement Plan Error (%) - MTD	≤ 30%	39%	38%	36%	↓	E2E safety stock strategy improved
	Variance DP vs. FP (%) - MTD	± 5.0%	+12%	+13%	+14%	↑	12 months Demand Plan always trending higher the Financial Plan
	SPA Total (%) – MTD	90% - 110%	83%	105%	98%	→	Adjustments in frozen window to mitigate BO risks - root cause low Safety Stock
	SPA Mix (%) – MTD	≥ 70%	52%	62%	59%	→	

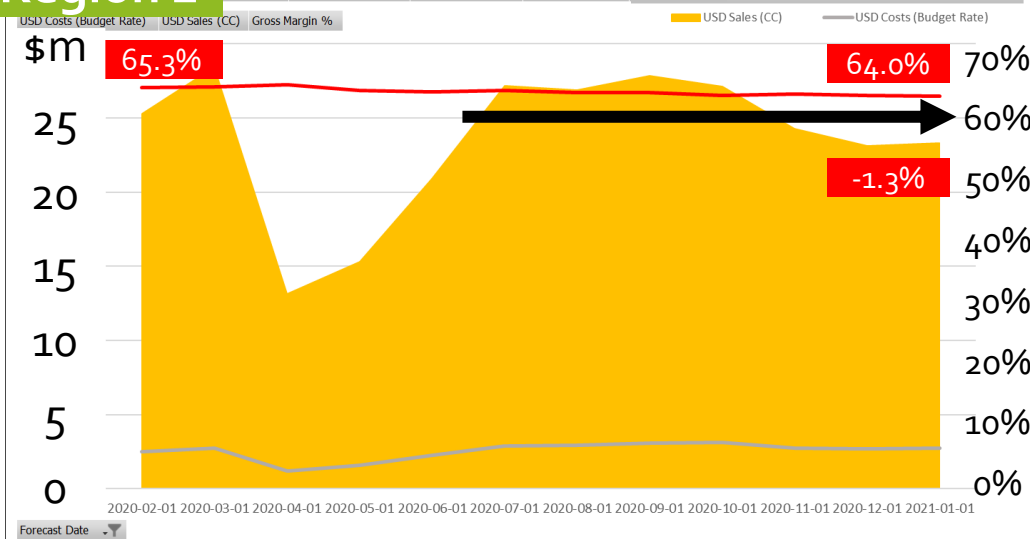
Global Sales vs. last Year and Budget

<Division> Sales, k\$	MONTH					YEAR				
	PY Mar	Mar-21	Growth Mar vs. PY	Budget Mar	% to Budget Month	PY Mar YTD	Actual Mar YTD	Growth Mar vs. PY	Budget YTD	% to Budget Budget
Region 1	28.470	26.000	-8,7%	25.500	2,0%	79.399	73.297	-7,7%	73.100	0,3%
Region 2	3.340	3.800	13,8%	4.100	-7,3%	10.281	10.820	5,2%	11.100	-2,5%
Region 3	3.263	3.042	-6,8%	3.200	-4,9%	7.869	8.094	2,9%	8.700	-7,0%
Region 4	1.946	2.550	31,0%	2.800	-8,9%	6.078	7.450	22,6%	7.400	0,7%
Region 5	3.292	2.100	-36,2%	2.100	0,0%	6.005	6.000	-0,1%	5.600	7,1%
Region 6	1.426	1.400	-1,8%	1.600	-12,5%	3.543	4.020	13,4%	4.100	-2,0%
Region 7	627	900	43,5%	1.000	-10,0%	2.244	2.750	22,6%	2.750	0,0%
Region 8	835	850	1,8%	700	21,4%	2.570	2.400	-6,6%	1.850	29,7%
Grand Total	43.200	40.642	-5,9%	41.000	-0,9%	117.990	114.831	-2,7%	114.600	0,2%
Group 1 Total	35.073	32.842	-6,4%	32.800	0,1%	97.549	92.211	-5,5%	92.900	-0,7%
Group 2 Total	8.127	7.800	-4,0%	8.200	-4,9%	20.441	22.620	10,7%	21.700	4,2%

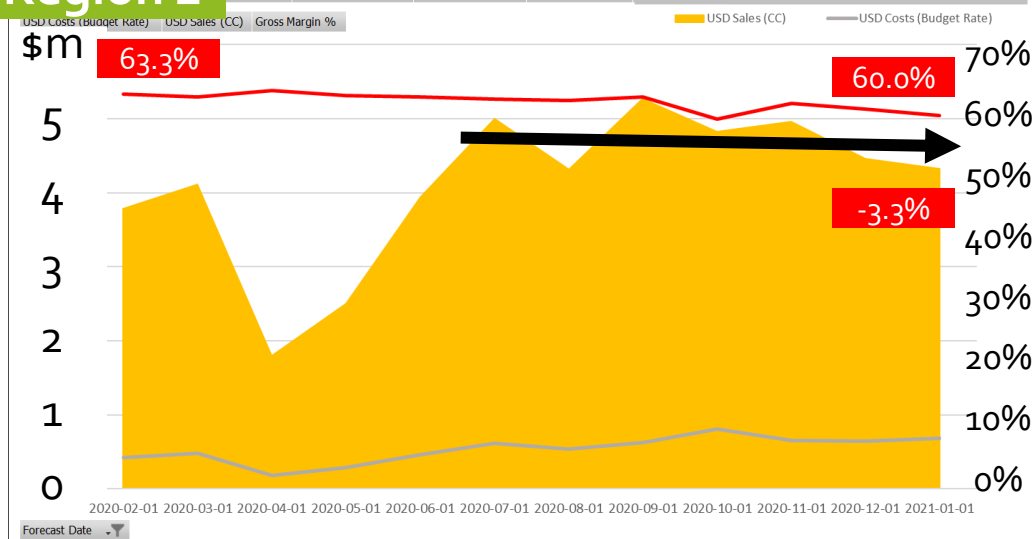
March: -6% vs. PY / -1% vs. Budget
YTD: -\$ vs. PY / +0% vs. Budget – Q1 full on track
Strong month & quarter in Region 8

Gross Margin – 12 months rolling Trends

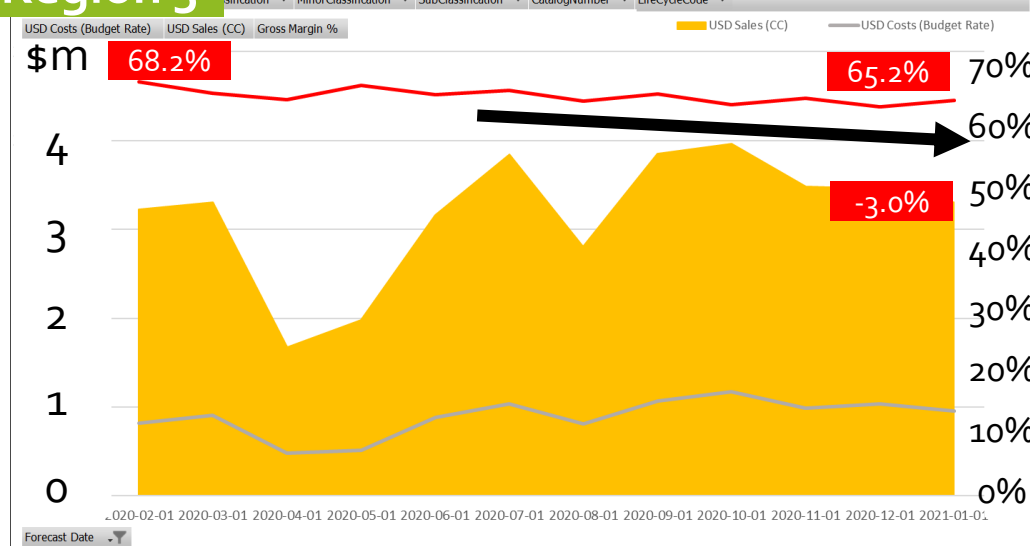
Region 1



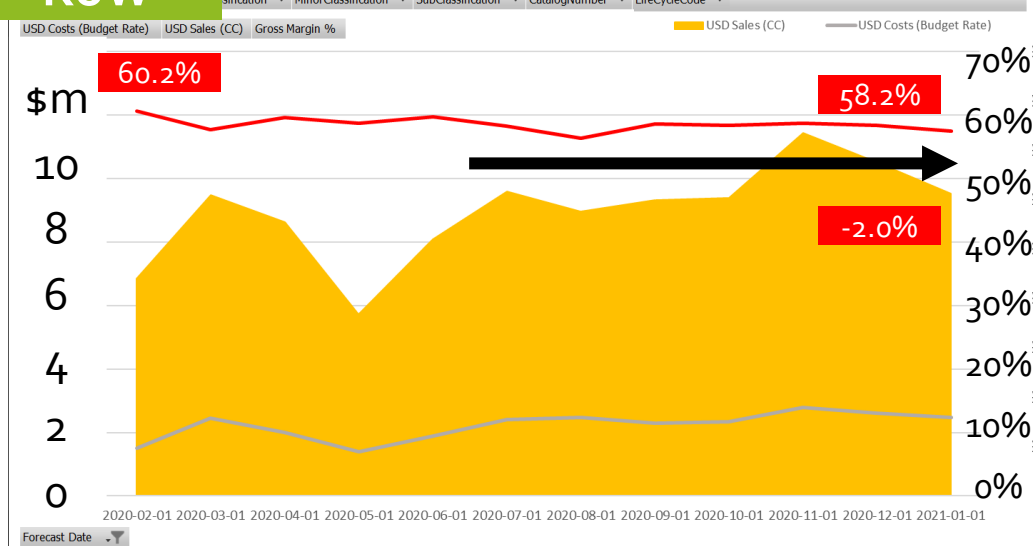
Region 2



Region 3



RoW

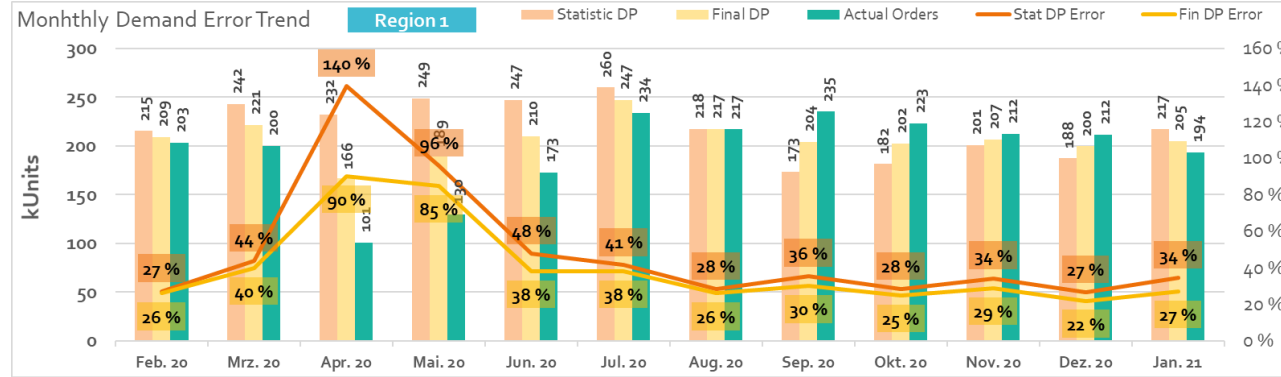


Demand Error Trend by Region

Last month by Product group / 6 months acc. trend by region

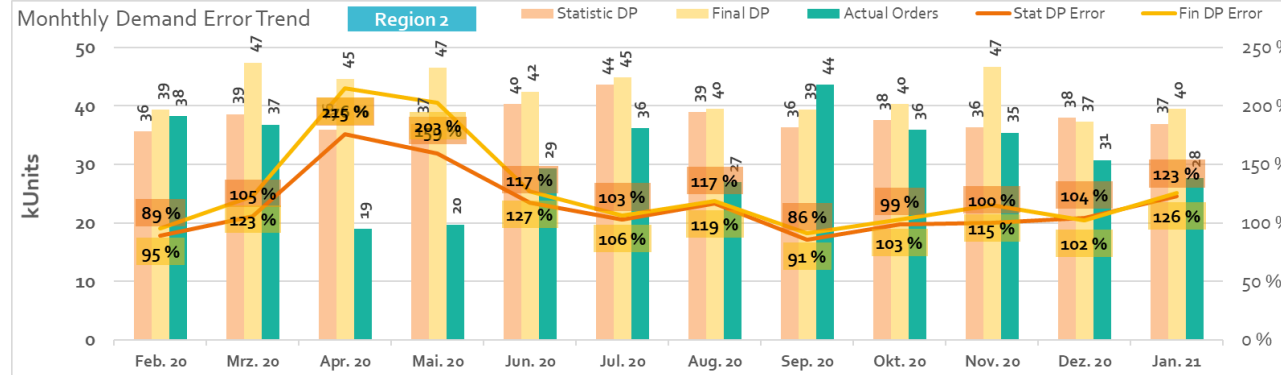
Region 1

27%



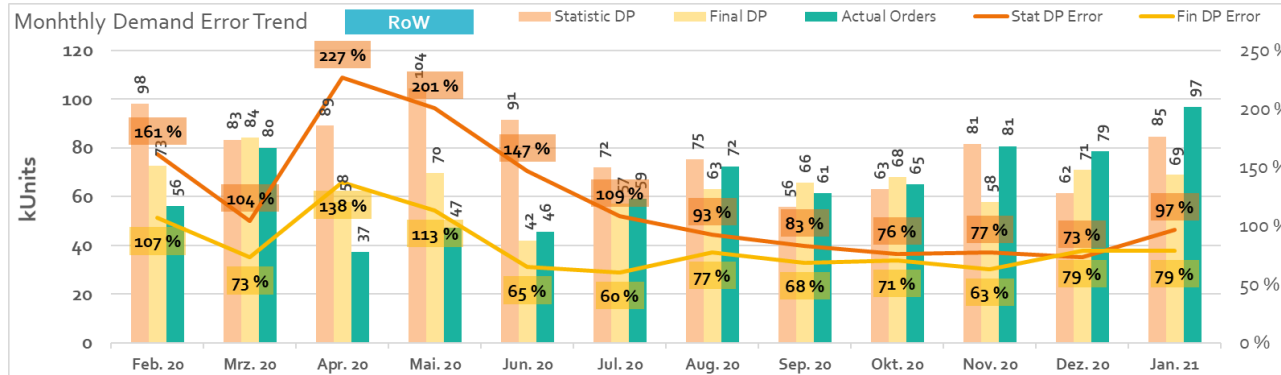
Region 2

126%



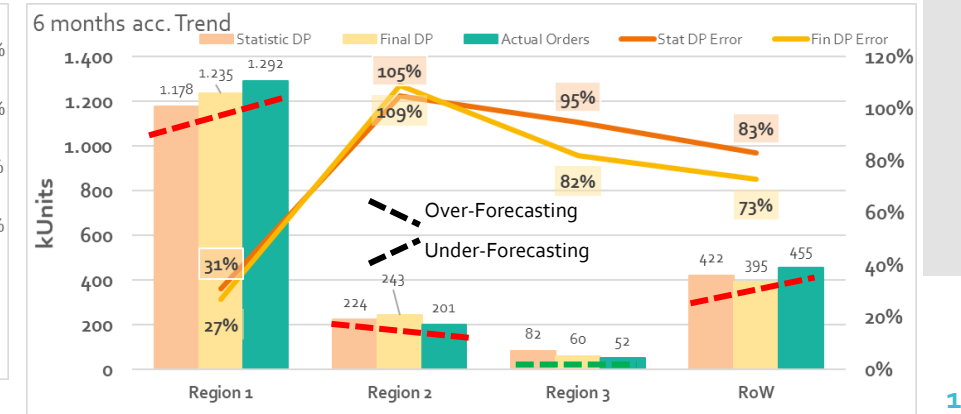
RoW

79%



Product Group	Statistic DP	Final DP	Actual Orders	ABS Var Final DP	Stat DP Error	Fin DP Error
A	98.123	87.200	76.279	22.707	38 %	30 %
B	76.523	74.000	71.437	9.455	17 %	13 %
C	23.950	21.200	18.377	4.563	32 %	25 %
D	989	4.900	8.800	4.833	96 %	55 %
E	1.526	3.800	6.130	3.604	75 %	59 %
F	3.327	3.400	3.543	1.405	51 %	40 %
G	2.540	2.200	1.879	577	39 %	30 %
H	1.754	1.700	1.670	238	18 %	14 %
I	2.123	1.800	1.489	874	75 %	59 %
J	1.578	1.500	1.461	95	8 %	6 %

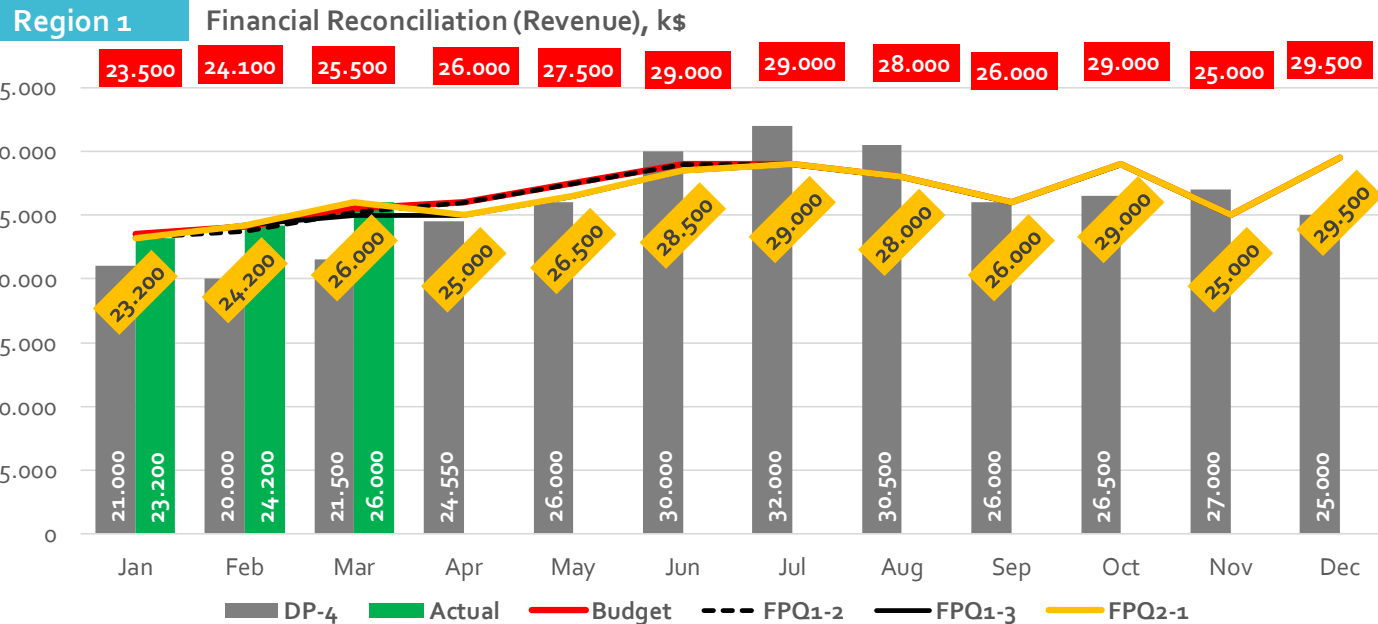
Product Group	Statistic DP	Final DP	Actual Orders	ABS Var Final DP	Stat DP Error	Fin DP Error
A	24.523	24.500	14.646	23.936	163 %	163 %
B	5.891	5.800	5.710	3.738	64 %	65 %
C	8.091	7.000	5.062	4.480	77 %	89 %
D	369	380	489	664	140 %	136 %
E	666	600	379	268	64 %	71 %
F	162	150	333	441	122 %	132 %
G	147	150	303	435	147 %	144 %
H	396	300	182	271	113 %	149 %
I	157	150	181	280	148 %	155 %
J	162	140	84	109	113 %	131 %



Executive Reconciliation Review (ERR)

Demand Planning (DP) Outcomes

Demand Plan / Financial Reconciliation – Region 1



Region 1 Summary, \$m

	Q1	Q2	Q3	Q4	Total
Budget	73,1	82,5	83,0	83,5	322,1
FPQ1-3	72,4	80,0	83,0	83,5	318,9
FPQ2-1	73,4	80,0	83,0	83,5	319,9
DP-4	62,5	80,6	88,5	78,5	310,1

Latest Financial Projection vs. Budget

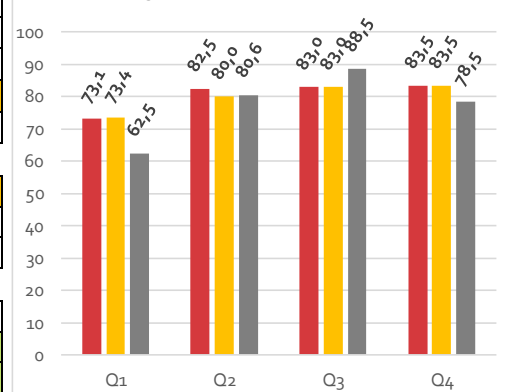
	Q1	Q2	Q3	Q4	Total
\$m	0,3	-2,5	0,0	0,0	-2,2
%	0%	-3%	0%	0%	-1%

Latest DP vs. FP

	Q1	Q2	Q3	Q4	Total
\$m	-10,9	0,5	5,5	-5,0	-9,8
%	-15%	1%	7%	-6%	-3%

within ± 5% within ± 10% above ± 10%

Financial Projection vs. Demand Plan, m\$

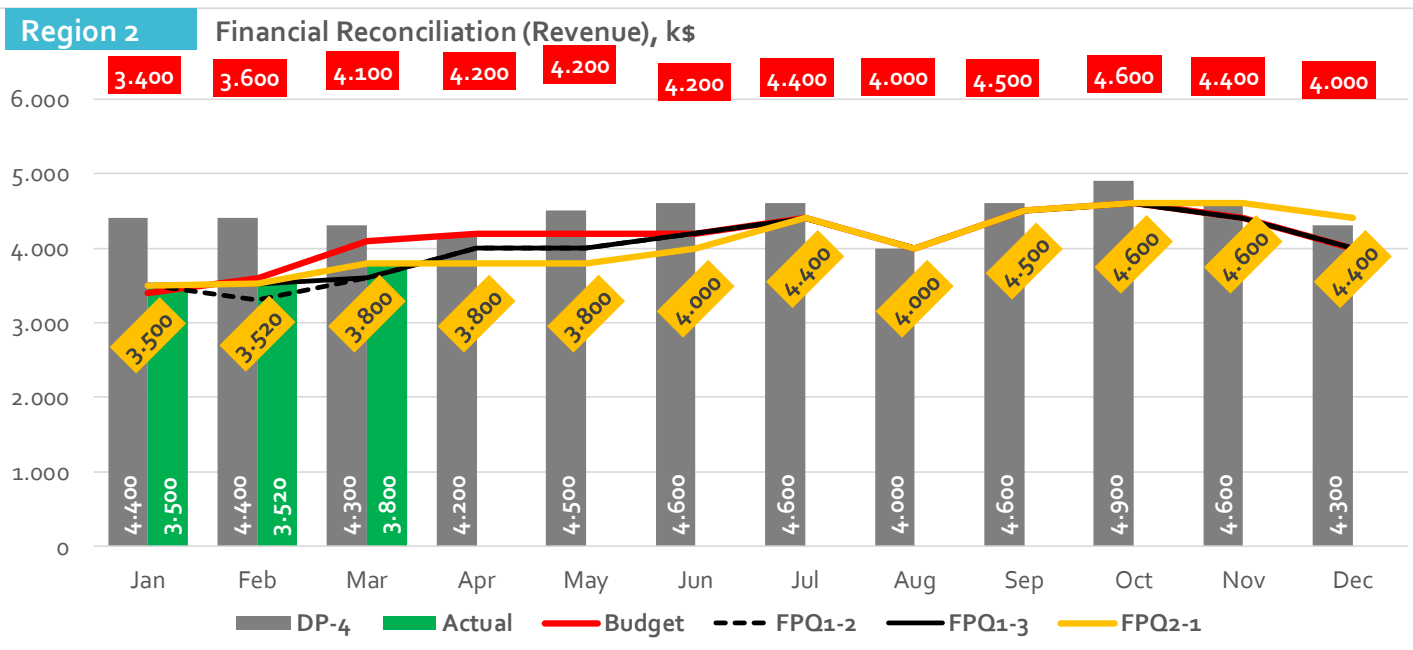


■ Budget ■ FPQ2-1 ■ DP-4

Financial and Demand Plan FY aligned

Assumptions / Key Decisions	Consensus / Gap Allowance FI vs. DP	Main Topics / Changes for Supply
Assumptions / Risks / Opportunities ➤ A	Consensus ➤ Revenue Projection 202x: \$320m	➤ A ➤ B ➤ C
Actions / Decisions / needed Assets ➤ B ➤ C	Gap Allowance FI vs. DP ➤ A ➤ B ➤ C	

Demand Plan / Financial Reconciliation – Region 2



Region 2 Summary, \$m

	Q1	Q2	Q3	Q4	Total
Budget	11,1	12,6	12,9	13,0	49,6
FPQ1-3	10,6	12,2	12,9	13,0	48,7
FPQ2-1	10,8	11,6	12,9	13,6	48,9
DP-4	13,1	13,3	13,2	13,8	53,4

Latest Financial Projection vs. Budget

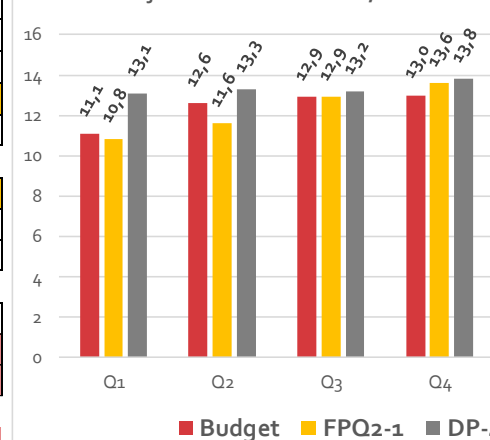
	Q1	Q2	Q3	Q4	Total
\$m	-0,3	-1,0	0,0	0,6	-0,7
%	-3%	-8%	0%	5%	-1%

Latest DP vs. FP

	Q1	Q2	Q3	Q4	Total
\$m	2,3	1,7	0,3	0,2	4,5
%	21%	15%	2%	1%	9%

within ± 5%	within ± 10%	above ± 10%
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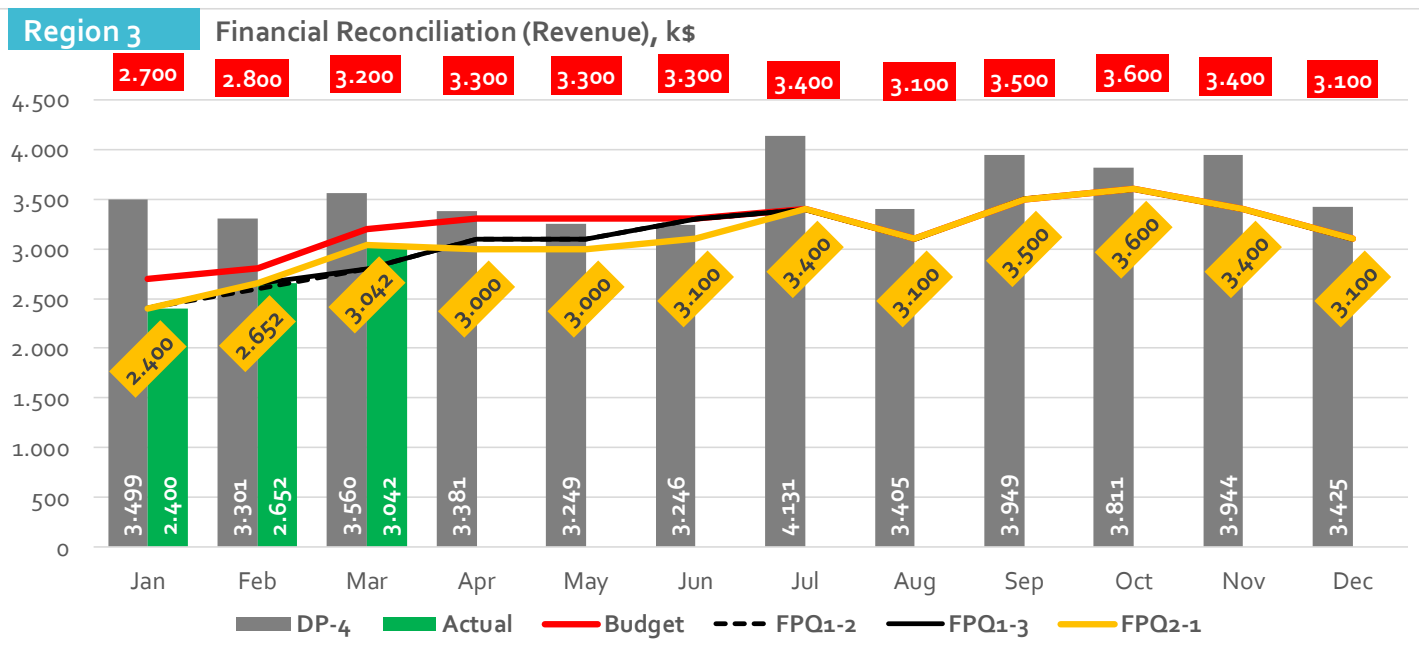
Financial Projection vs. Demand Plan, m\$



Financial and Demand Plan aligned 2nd HY

Assumptions / Key Decisions	Consensus / Gap Allowance FI vs. DP	Main Topics / Changes for Supply
Assumptions / Risks / Opportunities ➤ A	Consensus ➤ Revenue Projection 202x: \$49m	
Actions / Decisions / needed Assets ➤ B ➤ C	Gap Allowance FI vs. DP ➤ A ➤ B ➤ C	➤ A ➤ B

Demand Plan / Financial Reconciliation – Region 3



Region 3 Summary, \$m

	Q1	Q2	Q3	Q4	Total
Budget	8,7	9,9	10,0	10,1	38,7
FPQ1-3	7,9	9,5	10,0	10,1	37,5
FPQ2-1	8,1	9,1	10,0	10,1	37,3
DP-4	10,4	9,9	11,5	11,2	42,9

Latest Financial Projection vs. Budget

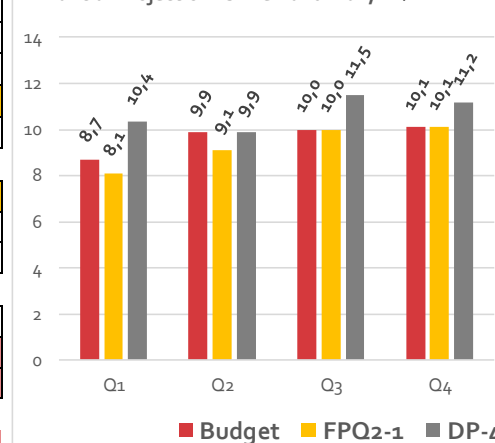
	Q1	Q2	Q3	Q4	Total
\$m	-0,6	-0,8	0,0	0,0	-1,4
%	-7%	-8%	0%	0%	-4%

Latest DP vs. FP

	Q1	Q2	Q3	Q4	Total
\$m	2,3	0,8	1,5	1,1	5,6
%	29%	8%	15%	11%	15%

within ± 5%	within ± 10%	above ± 10%
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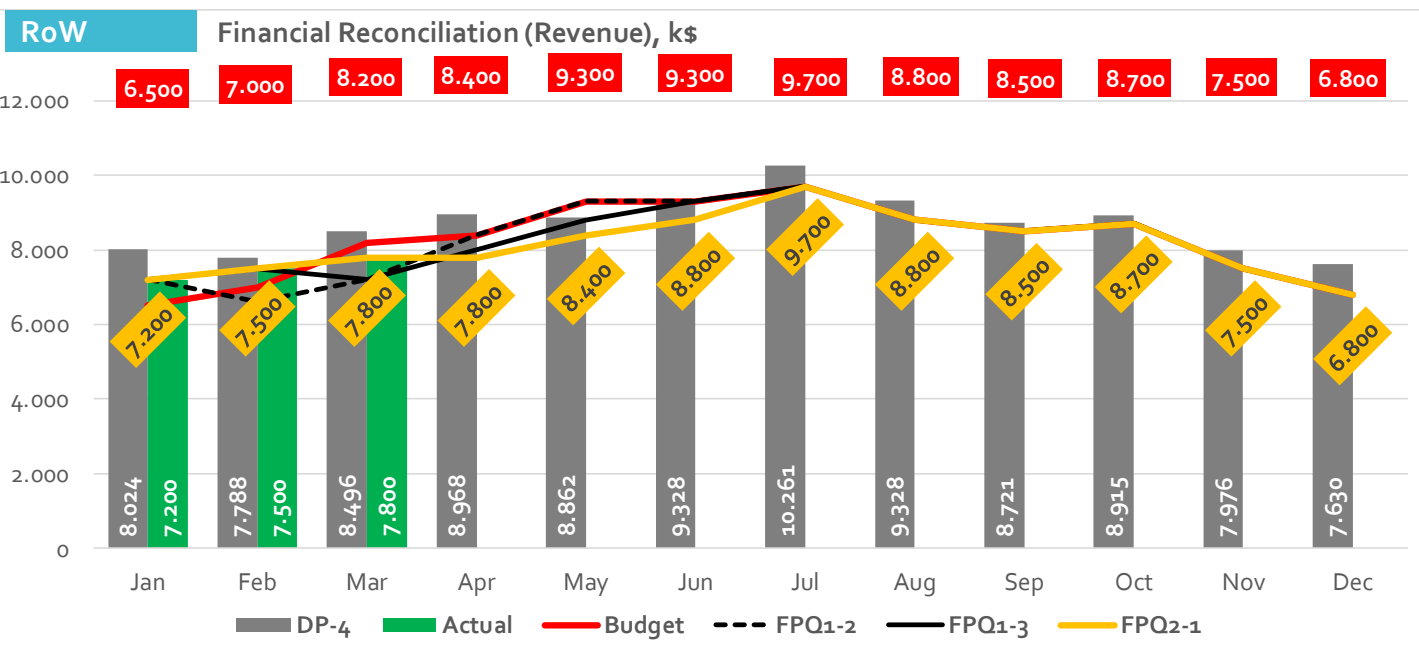
Financial Projection vs. Demand Plan, m\$



Financial and Demand Plan not yet aligned

Assumptions / Key Decisions	Consensus / Gap Allowance FI vs. DP	Main Topics / Changes for Supply
Assumptions / Risks / Opportunities ➤ A	Consensus ➤ Revenue Projection 202x: \$37m	
Actions / Decisions / needed Assets ➤ B ➤ C	Gap Allowance FI vs. DP ➤ A ➤ B ➤ C	➤ A ➤ B

Demand Plan / Financial Reconciliation – RoW



RoW Summary, \$m

	Q1	Q2	Q3	Q4	Total
Budget	21,7	27,0	27,0	23,0	98,7
FPQ1-3	21,9	26,1	27,0	23,0	98,0
FPQ2-1	22,5	25,0	27,0	23,0	97,5
DP-4	24,3	27,2	28,3	24,5	104,3

Latest Financial Projection vs. Budget

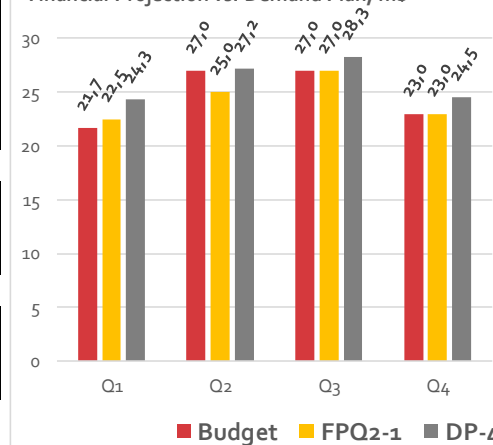
	Q1	Q2	Q3	Q4	Total
\$m	0,8	-2,0	0,0	0,0	-1,2
%	4%	-7%	0%	0%	-1%

Latest DP vs. FP

	Q1	Q2	Q3	Q4	Total
\$m	1,8	2,2	1,3	1,5	6,8
%	8%	8%	5%	7%	7%

within ± 5%	within ± 10%	above ± 10%
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Financial Projection vs. Demand Plan, m\$

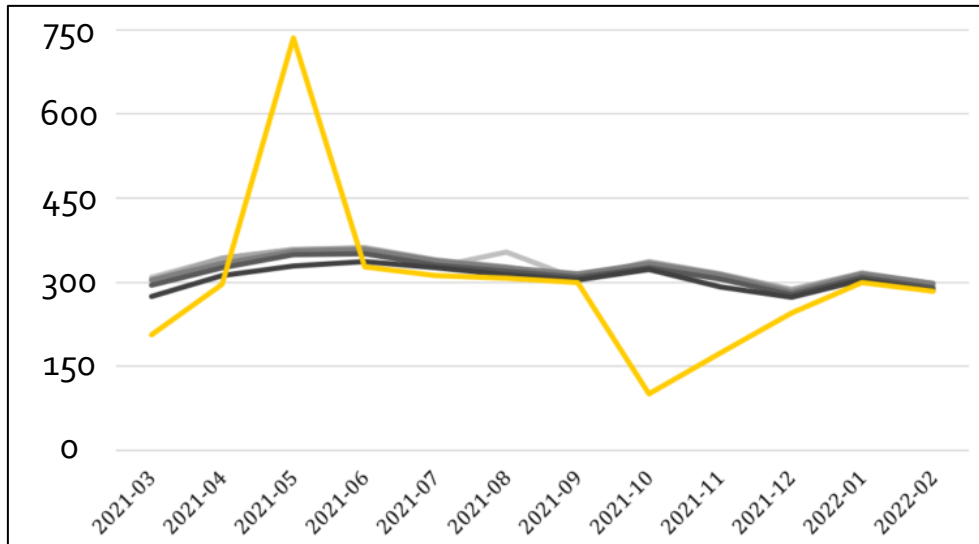


Demand Plan trending higher than Financial Plan

Assumptions / Key Decisions	Consensus / Gap Allowance FI vs. DP	Main Topics / Changes for Supply
Assumptions / Risks / Opportunities ➤ A	Consensus ➤ Revenue Projection 202x: \$98m	
Actions / Decisions / needed Assets ➤ B ➤ C	Gap Allowance FI vs. DP ➤ A ➤ B ➤ C	➤ A ➤ B

Key NRP Changes versus last ESR (12m rolling - units)

Example



Region	Product Group	Last cycle (12 months)	Current Cycle (12 months)	Change
Region 1	Group A	987.170	1.046.400	+6%
	Group B	778.950	888.000	+14%
	Others	41.750	40.500	-3%
Region 2	All	491.100	486.200	-1%
Region 3	All	121.500	120.300	-1%
Region 4	All	93.750	90.000	-4%
RoW	All	714.800	700.500	-2%
Total		3.229.020	3.371.900	+4%

Key Implications for Changes of latest NRP (12m rolling)

- Overall net requirement forecast stable vs. last cycle
- **Challenge:** biggest market adjusted regional safety stock strategy: Ramp up in May and ramp down in October → Supply response and/or reconciliation strategy needed!
- ...

Executive Reconciliation Review (ERR)

Supply Planning (SP) Outcomes

Supply Response Summary by Location within network

Location (Brand / Product Family)	Supply Response Summary / Mitigation Actions & Status
Location 1 (Brand A, Brand B, Brand C)	Written Status Summary ... Over-Capacity ... Major Action Items: - A - B - C
Location 2 (Brand C)	Written Status Summary ... Major Action Items: - A - B - C
Location 3 (Brand A, Brand B)	Written Status Summary ... Supply Constraints ... Major Action Items: - A - B - C
Location 4 (Brand D)	Written Status Summary ... Supply Gap and/or Rupture ... Major Action Items: - A - B - C
...	...

Impact Summary to reconcile Supply & Demand

Supply Response to Demand (Revenue Risk / \$)	Cost / Headcount (Request / \$)	Inventory / Output (Change, Risk / \$)	Capital Investment (Additional / \$)
N/A	N/A	N/A	N/A

Supply Health Status by Location & Manufacturing Area

Example

Location 4

Manufacturing Area	Safety Stock Health (SSH)	3 months Demand Plan (COGS / Units)	3 months constrained/ confirmed Supply Plan	Supply health < 3 months	Supply health 3-9 months	Supply health > 9 months	Comment
Area 1	58%	\$750k (7k Units)	\$800k \$50k (8k Units)	61%	82%	100%	<ul style="list-style-type: none"> Supply confirmed for Demand Safety stock health back in 4 months
Area 2	84%	\$1.000k (6k Units)	\$1.200 \$200k (7k Units)	86%	96%	100%	<ul style="list-style-type: none"> Supply and Safety Stock confirmed
Area 3	57%	\$1.600k (160k Units)	\$1.550k (\$50k) (150k Units)	62%	80%	100%	<ul style="list-style-type: none"> Supply confirmed for Demand Safety stock health back in 5 months
Area 4	43%	\$1.750k (150k Units)	\$1.500k (\$250k) (130k Units)	39%	44%	97%	<ul style="list-style-type: none"> Supply not confirmed next 3 months Ongoing backorder risk Capacity ramp up in progress Supply back on track in 3 months and Safety stock health back in 12 months
Area 5	88%	\$300k (2k units)	\$300k (\$0k) (2k units)	95%	100%	100%	<ul style="list-style-type: none"> Supply and Safety Stock confirmed

Thresholds

Supply health:

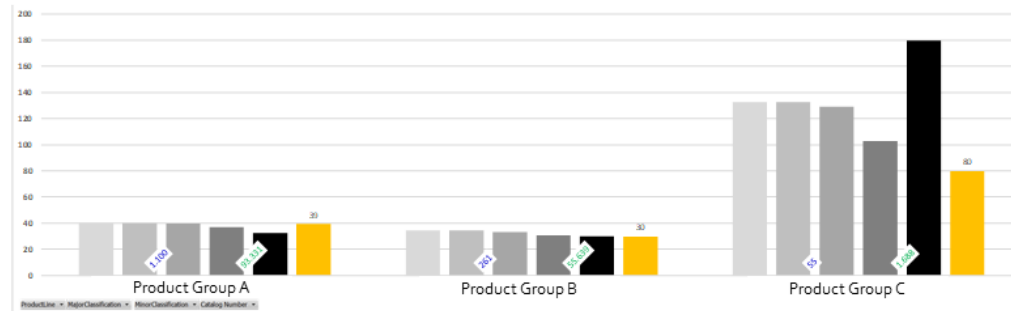
Demand Plan confirmed **AND** Safety stock health in place



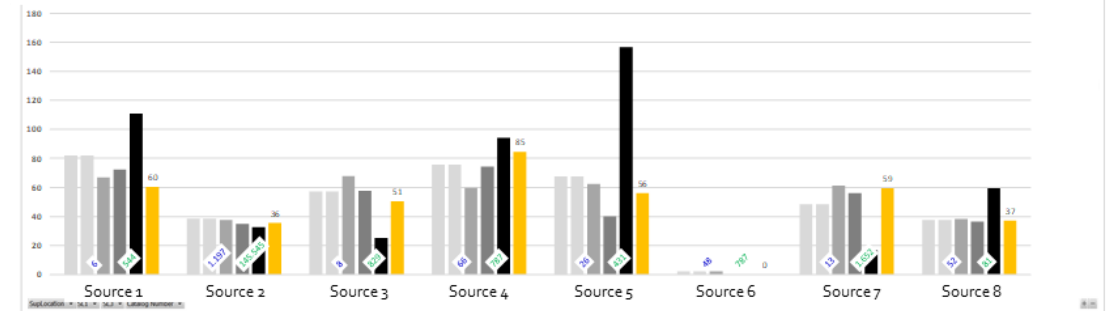
Inventory Summary – E2E DII Trending

Division A - Inventory Trending Region 1 - by Group

Actual: 8. Mrz 21 DII Risk below 15 days NRP min: 2

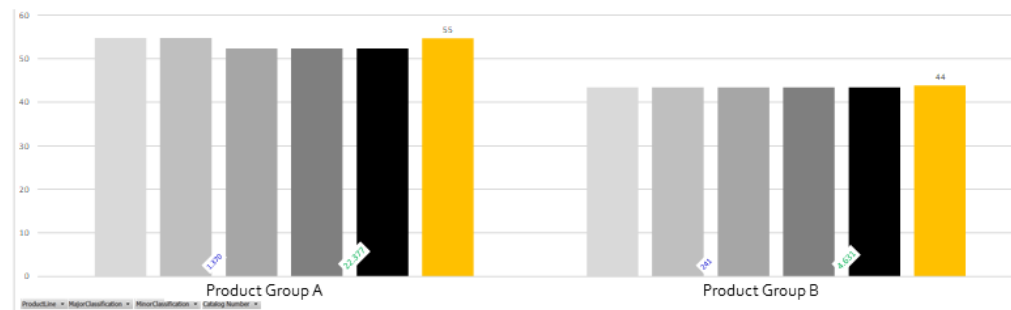


Division A - Inventory Trending Region 1 - by Supply Source

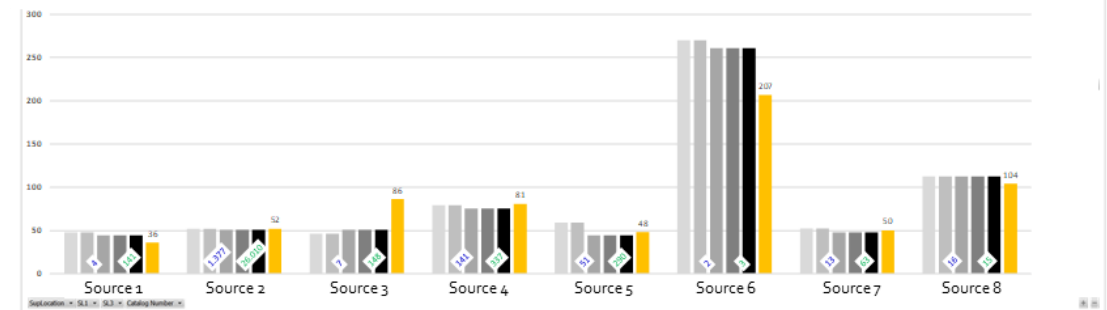


Division A - Inventory Trending Region 2 - by Group

Actual: 8. Mrz 21 DII Risk below 15 days NRP min: 2

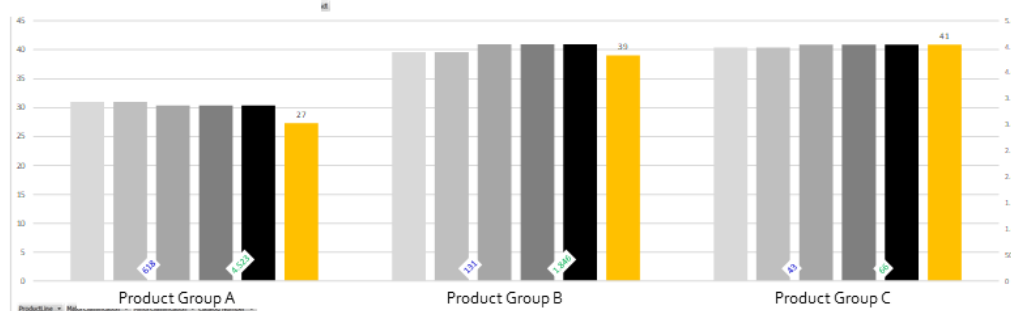


Division A - Inventory Trending Region 2 - by Supply Source

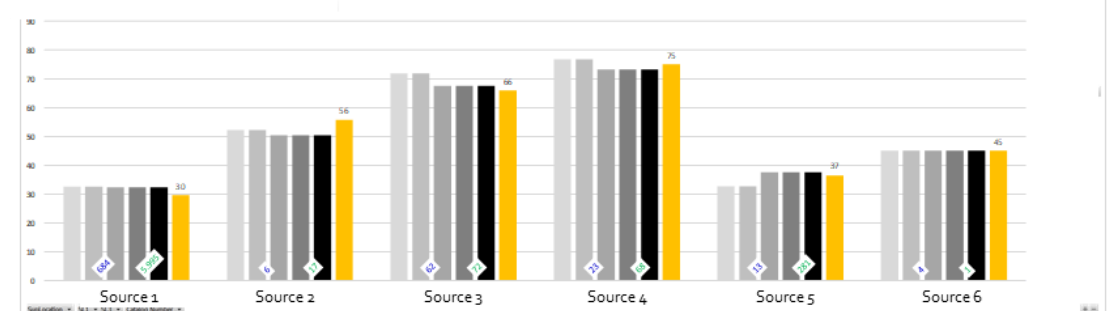


Division A - Inventory Trending Region 3 - by Group

Actual: 8. Mrz 21 DII Risk below 15 days NRP min: 2



Division A - Inventory Trending Region 3 - by Supply Source

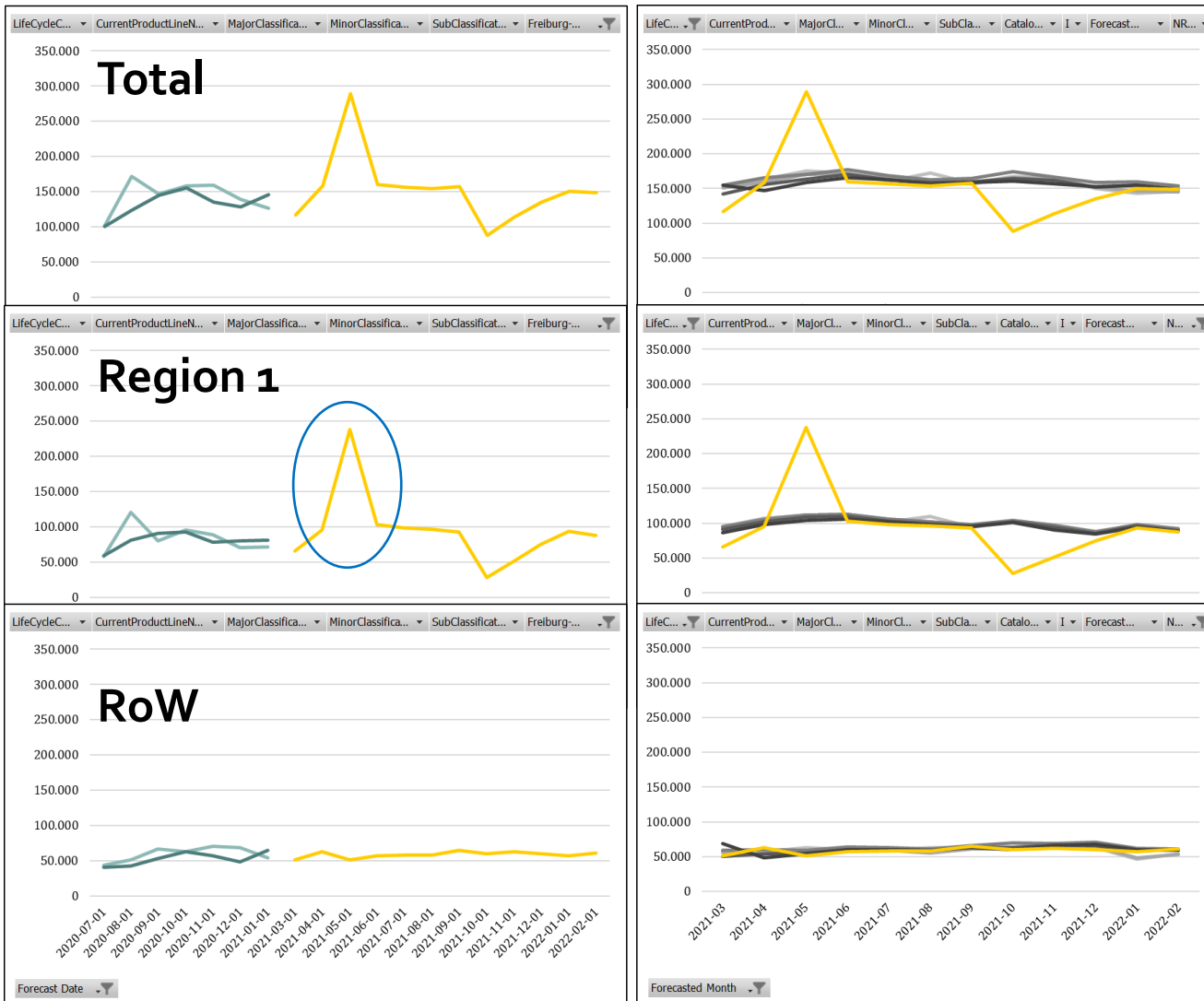


Executive Reconciliation Review (ERR)

Allocation/ Reconciliation Alignment

Allocation review – NRP change vs. Supply capability

Example



Demand requirement:

- Safety Stock ramp up requested for May by Region 1

Supply Constraints:

- “1-month” additional production capacity needed to fulfill change
- Time frame Scenarios for Capacity ramp up
 - Feb – May: +25% (≈30 FTE)
 - Mar – May: +33% (≈45 FTE)
 - Apr – May: +50% (≈60 FTE)
- Capacity ramp up (HC recruiting / onboarding / training) not feasible to serve a 1-month additional supply within 4 months

Allocation / Reconciliation – Alignment:

- 1) Roll out planning and reconciliation needed for Region 1
→ Main Target: Serve Customers / Orders
- 2) Priority for supply / inventory allocation:
 - 1st Serve Global Demand (all regions)
 - 2nd Safety Stock ramp up (Region 1)

Executive Reconciliation Review (ERR)

Strategic updates & deep dives

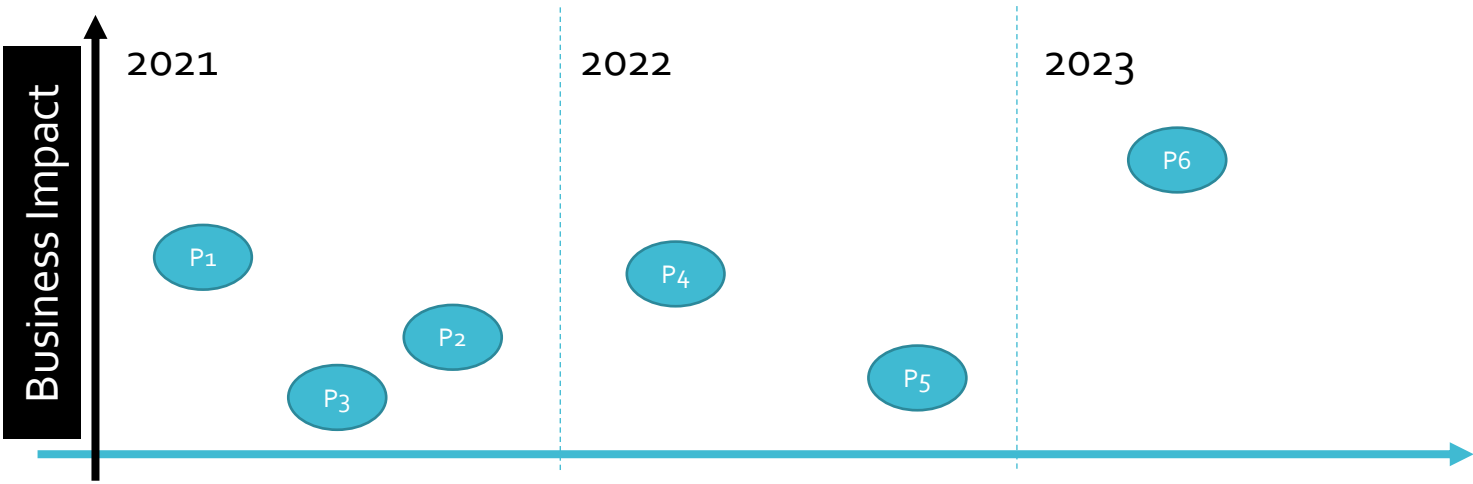
Long-term Revenue Projection

Example

Region	Actual	Budget	Strategic Forecast			
\$m	2020	2021	2022	2023	2024	2025
Region A	300	320	349	380	411	452
Region B	44	49	56	64	71	80
Region C	32	37	39	42	44	47
RoW	97	98	102	106	110	115
Total	473	509	546	592	636	694
Growth, %	6,9%	7,6%	7,3%	8,4%	7,4%	9,1%
Gross Margin, %	66,2%	64,8%	64,2%	63,7%	64,2%	65,1%

Key Drivers for Business growth	Year(s) impacted
➤ Global roll out of Product Launch A (\$40-60m sales in 2025)	2021-2025
➤ Product B Platform introduction (\$20-25m sales in 2025)	2022-2025
➤ Supply footprint optimization to reduce costs / improve gross margin	2024 - 2025

NPI Project Summary & Status



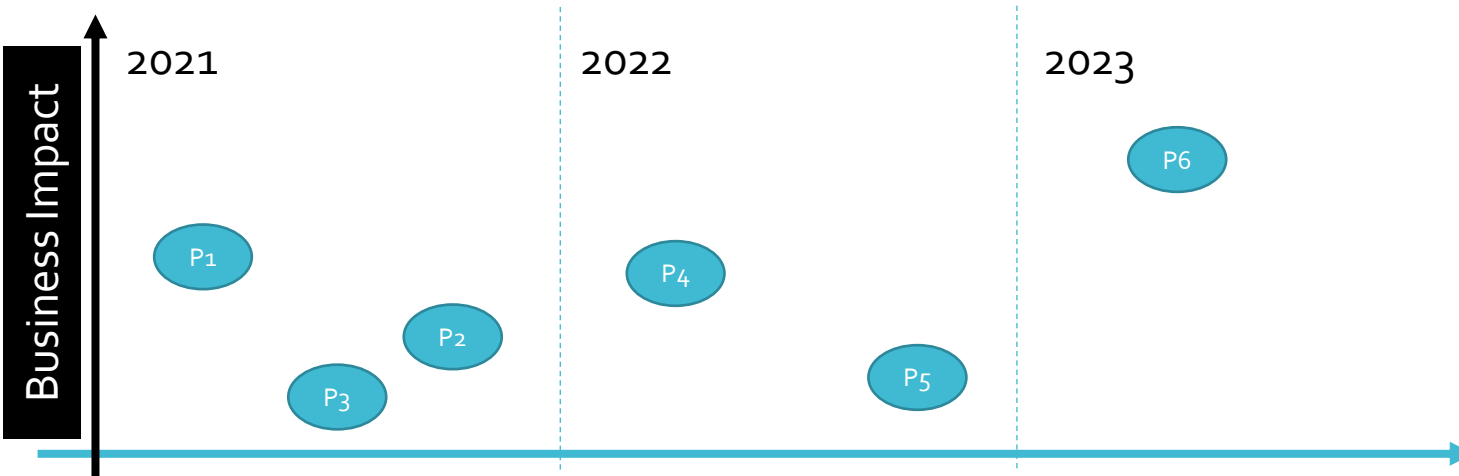
NPI Project Pipeline	Est. Launch Dates
P1: Name	Mar 21
P2: Name	Oct 21
P3: Name	Jul 21
P4: Name	Apr 22
P5: Name	Nov 22
P6: Name	May 23
P7: Name	Q1 / 24
P8: Name	Q2 / 24
P9: Name	Q2 / 24
P10: Name	Q4 / 24

on track / on risk

Status Update

- A
- B
- C

Engineering Project Summary & Status



Project	Revenue 3rd Year	COGS 3rd Year	Gross Margin	Revenue cannibalized
1	\$12m	\$6m	50%	80%
2	\$2m	\$0.5m	75%	-
...				
6	\$25m	\$10m	60%	20%

Project	#SKU	Location/ Supplier	Resources/ Staffing	Make vs. Buy	Process Development	Capacity Status	Transfer Completion	Launch Start	Supply Confirmed
Name 1	xx	Plant A					MM/YY	MM/YY	
Name 2	xx	Plant B					MM/YY	MM/YY	
Name 3	xx	Supplier X					MM/YY	MM/YY	
Name 4	xx	Plant A					MM/YY	MM/YY	
...					MM/YY	MM/YY	

Risks / Concerns	Changes / Impacts	Decisions Required
<ul style="list-style-type: none"> ➤ A ➤ B ➤ C 	<ul style="list-style-type: none"> ➤ A ➤ B ➤ C 	<ul style="list-style-type: none"> ➤ A ➤ B ➤ C

Phase Out Summary & Status

Product Group	Brand	Sub-Brand	Status	# SKUs	Region	2020				2021				2022				2023				2024				2025			
						Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
A	BA1	SBA5	Phase Out	25	Global									P					O										R
	BA4	SBA12	Phase Out	250	Global				P										O										
	BA9	SBA18	Phase Out	48	Global				P								O												
B	BB3	SBB5	Phase Out	12	Global								P					O								R			S
	BB8	SBB10	Phase Out	75	Global										P										O				
C	BC8	SBC3	Phase Out	15	Global				P					O												R			S

Product Life Cycle Status

	Product Development
	Introduction / Launch
	Active
	Phase-Out / Ramp down / Conversion
	No Supply
	No Sales

Product Life Cycle Milestone

L	Launch Communication
P	Phase-Out Communication
O	Last Order Date
R	Last Sales/ Revenue Date
S	Last Service Date

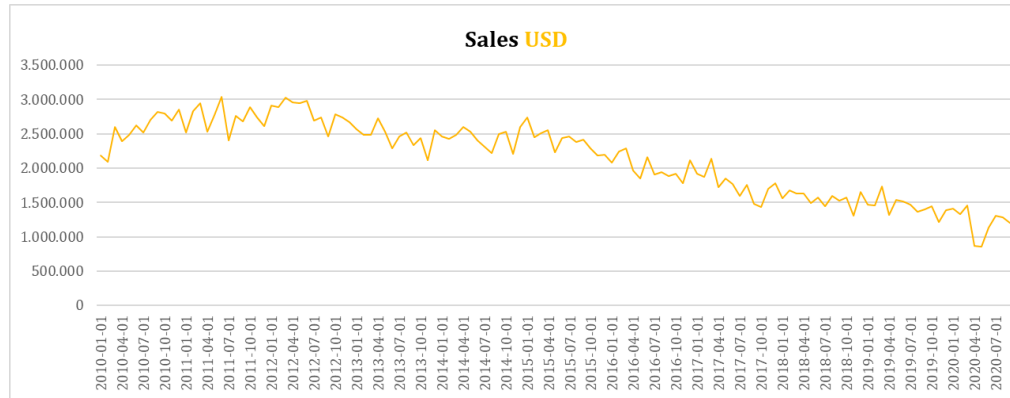
Status Update

- A
- B
- C

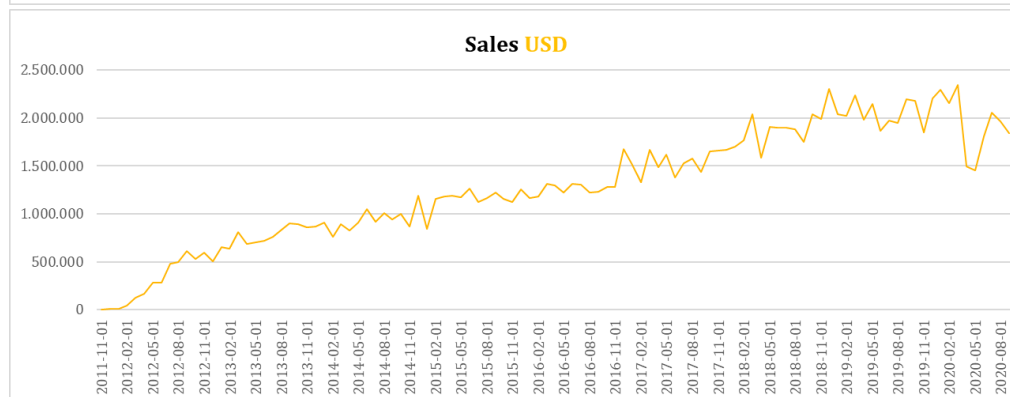
Phase Out Execution Status – Product group A

Launch
Year

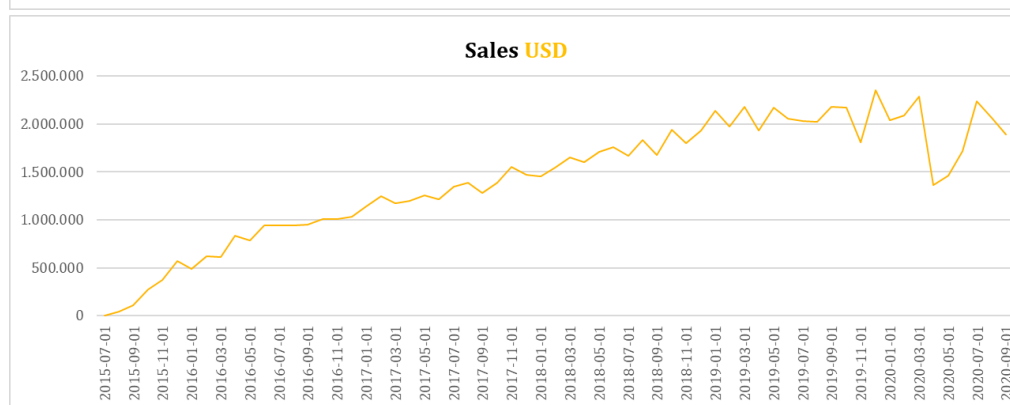
2006



2011



2016



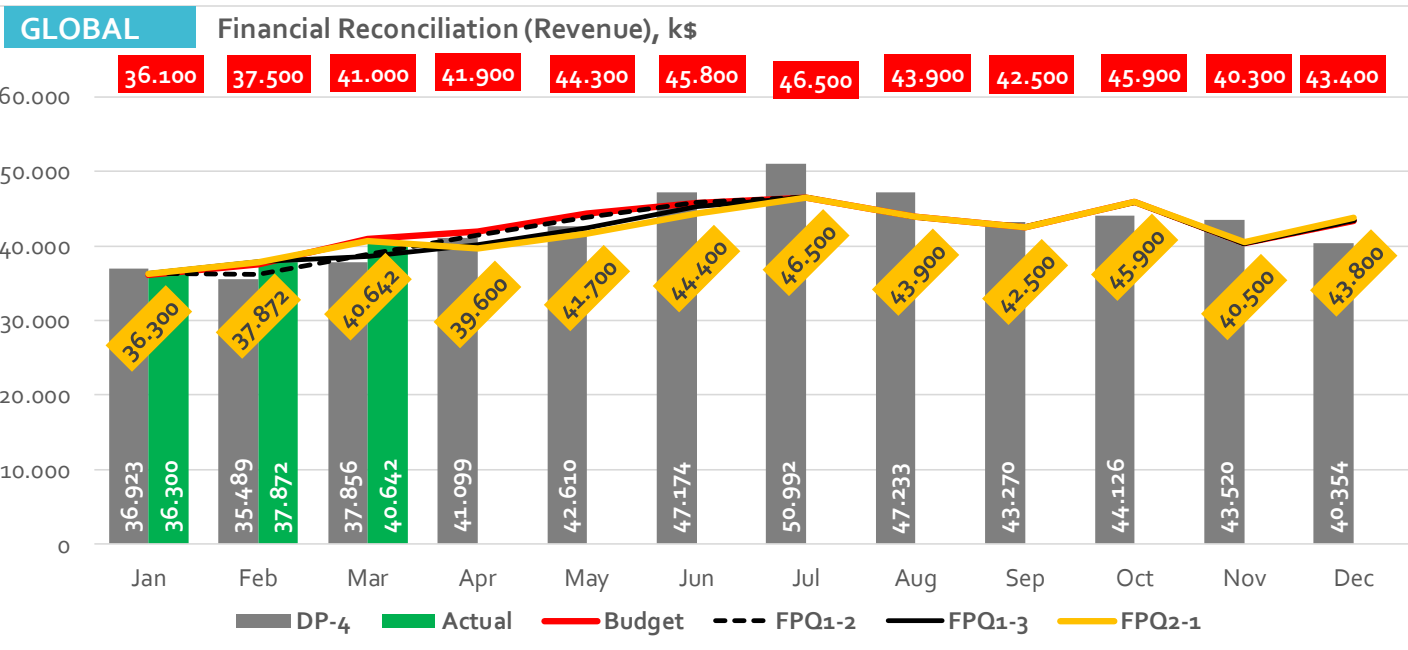
Status Update PLCM

- Canabilization development within Product Group A as planned
- Phase Out review on 2006 portfolio was kicked-off in Q4 last year
 - Last time buy strategy for all regions under evaluation
 - Current time line for phase out:
 - Last time buy 09/2021
 - Manufacturing/ Supply stop 03/2022
 - Global conversion 09/2022
 - Global phase out / Sales stop 12/2022

Executive Reconciliation Review (ERR)

Reconciliation Summary

Demand Plan / Financial Reconciliation – Global



GLOBAL Summary, \$m

	Q1	Q2	Q3	Q4	Total
Budget	114,6	132,0	132,9	129,6	509,1
FPQ1-3	112,8	127,8	132,9	129,6	503,1
FPQ2-1	114,8	125,7	132,9	130,2	503,6
DP-4	110,3	130,9	141,5	128,0	510,6

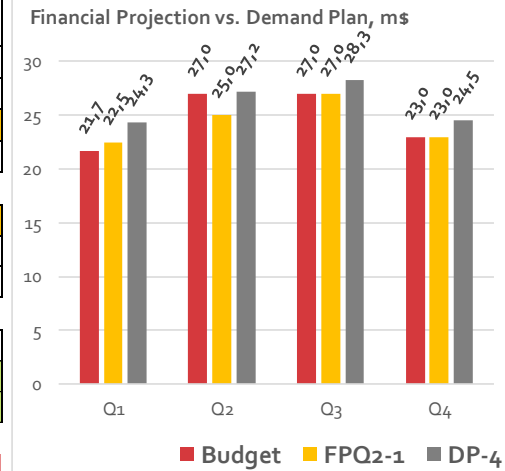
Latest Financial Projection vs. Budget

	Q1	Q2	Q3	Q4	Total
\$m	0,2	-6,3	0,0	0,6	-5,5
%	0%	-5%	0%	0%	-1%

Latest DP vs. FP

	Q1	Q2	Q3	Q4	Total
\$m	-4,5	5,2	8,6	-2,2	7,0
%	-4%	4%	6%	-2%	1%

within ± 5% within ± 10% above ± 10%



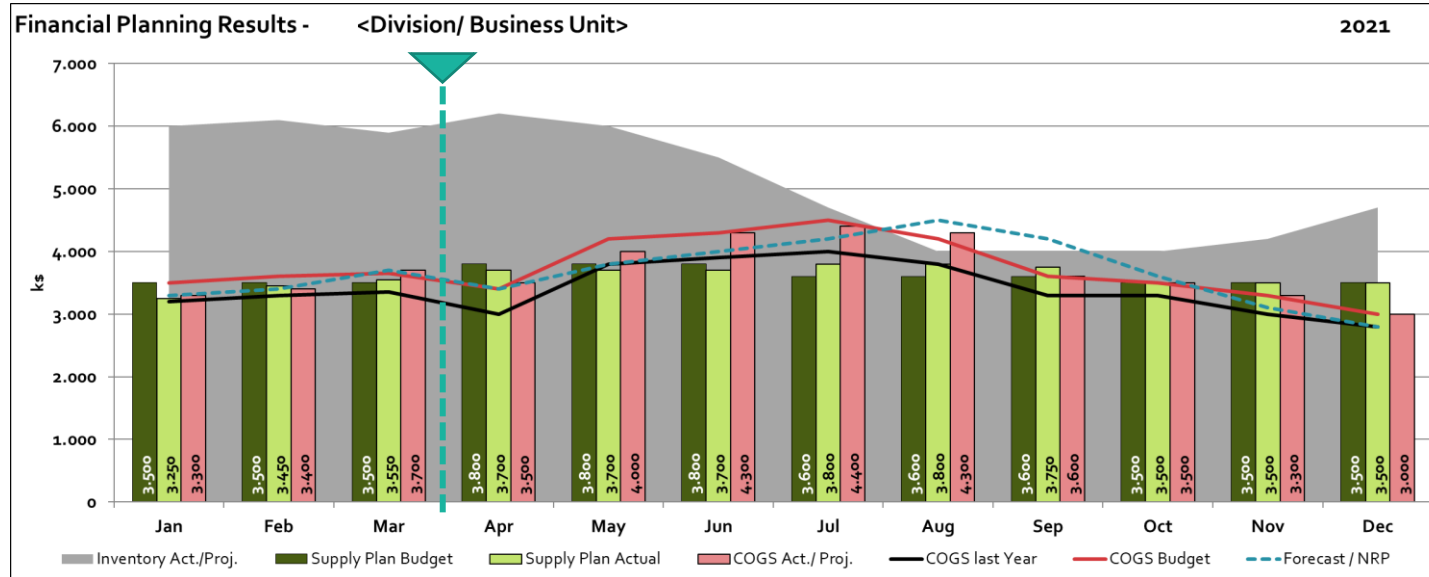
Financial and Demand Plan FY aligned

Budget 202x: \$509m
Financial Plan 202x: \$504m (-1,1% vs. Budget)
Demand Plan 202x: \$511m (+0,3% vs. Budget / +1,4% vs. FP)

Risks / Concerns	Changes / Impacts	Decisions Required
<ul style="list-style-type: none"> ➤ A ➤ B ➤ C 	<ul style="list-style-type: none"> ➤ A ➤ B ➤ C 	<ul style="list-style-type: none"> ➤ A ➤ B ➤ C

Financial Alignment – Supply Network

Example



Risks / Concerns
<ul style="list-style-type: none"> Q1 Shipments \$0,4m behind budget Q2 Forecast \$0,6m below expectations FY variance of \$0,3m between latest projection of Division vs. Operations ...
Changes / Impacts / Opportunities
<ul style="list-style-type: none"> Q3 Forecast shows an upside potential of \$0,6m ...
Major Assumptions
<ul style="list-style-type: none"> Capacity increase by 25% not before Q3/2021 Demand Plan / NRP increase of Q3 will be caught up by 50% in Q4 ...

Summary

Division (DP vs. Shipments):

① Net Requirement Plan – COGS: **Not aligned**

Location Financials (SP vs. FI-Plan):

② Supply Plan – Inventory – COGS: **aligned**

Location Operations (Execution vs. SP):

③ Supply Plan execution: **aligned**

Inventory (Cash impact):

④ Inventory Change: **decrease**

m\$	Q1	Q2	Q3	Q4	Total
COGS last Year	\$9,9	\$10,7	\$11,1	\$9,1	\$40,8
Forecast / NRP	\$10,4	\$11,2	\$12,9	\$9,5	\$44,0
Variance COGS vs. FC	\$0,0	\$0,6	-\$0,6	\$0,3	\$0,3
COGS Budget	\$10,8	\$11,9	\$12,3	\$9,8	\$44,8
COGS Act./ Proj.	\$10,4	\$11,8	\$12,3	\$9,8	\$44,3
COGS Budget Variance	-\$0,4	-\$0,1	\$0,0	\$0,0	-\$0,5
SP Budget	\$10,5	\$11,4	\$10,8	\$10,5	\$43,2
SP Act. / Proj.	\$10,3	\$11,1	\$11,4	\$10,5	\$43,2
SP Budget Variance	-\$0,3	-\$0,3	\$0,5	\$0,0	\$0,0
Average Inventory	\$6,0	\$5,9	\$4,2	\$4,3	\$5,1
Inventory Change	-\$0,2	-\$0,7	-\$1,0	\$0,7	-\$1,1
Avg. DII forward	51	45	32	40	42

SP - Inventory - COGS	\$0,0	\$0,0	\$0,0	\$0,0	\$0,0
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COGS Growth rate in %	6%	10%	11%	8%	9%
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1

3

4

2

Reconciliation Status achieved in ERR

Example

Demand Region/ Supply Plant	Page(s)	Topic / Question / Decision	Owner
Region A		Review Demand Planning results and Financial reconciliation: Assumptions, Decisions, Actions and/or topics for Supply	(Sales, Marketing, Demand Planning)
Region B		Review Demand Planning results and Financial reconciliation: Assumptions, Decisions, Actions and/or topics for Supply	(Sales, Marketing, Demand Planning)
Region C		Review Demand Planning results and Financial reconciliation: Assumptions, Decisions, Actions and/or topics for Supply	(Sales, Marketing, Demand Planning)
Supply		Review Supply Planning Summary and Financial reconciliation: Assumptions, Decisions, Actions and/or topics for Demand	(Operations, Supply Planning)

➤ Revenue Outlook 202x

- A
- B
- C

➤ Major Demand-Supply-Topics

- A
- B
- C

➤ NPI & Phase out summary

- A
- B
- C

Author

Introduction summary

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MBA (Business Integration) – Julius-Maximilians-University Würzburg

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Chief Technology Manager (CTM) – WZL RWTH Aachen & Fraunhofer IPT

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Professional Background

- Supply Chain Management, Planning & Execution
- Operations & Plant Management
- Business Process Development, Implementation & Validation
- ERP & IT Solutions
- Quality Management
- 20+ years in Metal Processing & Medical Device Industry

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