



Sleep Innovations®: From Bankruptcy to Thriving Company in Three Years

SITUATION: Sleep Innovations Faced Imminent Liquidation

Sleep Innovations, a \$300mm manufacturer and marketer of foam sleep and comfort products for retail and OEM markets, was in bankruptcy and needed financial support or face liquidation. American Capital, along with other creditors, had invested in the debt of Sleep Innovations. Boris Katsnelson, then with American Capital, led the evaluation process. His study resulted in a recommendation to fund the exit facility to allow Sleep Innovations to emerge from bankruptcy. Katsnelson's analysis showed a better risk-adjusted return for investors, and on a personal level, he wanted to help the company grow, create jobs, and make a significant contribution to the economy. An operating partner from American Capital joined the Sleep Innovations' Board of Directors then became CEO and brought Katsnelson in to lead Strategic Planning. Katsnelson's role was to establish formal processes and procedures to systematically expand the business, identify new areas of growth for the company and build a cohesive, high-trust team who could successfully execute.

BUSINESS PROCESS IMPROVEMENT – OEM DIVISION

The OEM division participated in a commodity industry selling foam to furniture, bedding and packaging end markets. With sales flattening over the last few years, Katsnelson was charged with redefining the sales process to spur growth.

- Defined the Addressable Market — to identify where sales could be rapidly increased, Katsnelson conducted an analysis that identified the addressable area as a 250-mile radius around the factories to efficiently serve customers.
- Segmented Customers and Developed Operational Policies — in collaboration with the sales team, Katsnelson classified customers based on certain key parameters. One such segment, direct customers, would now order only from a standard item list of products which would be stocked to ship the next day. Eliminating custom orders improved efficiency at the factories allowing smaller customers to be served without usurping valuable resources.
- Management of the Selling Process — Katsnelson then implemented a CRM platform to manage the sales process and with the sales team developed a calling frequency program based on customer segment. Sales team members were then able to stay in front of current and prospective customers at an appropriate regularity to win business. Additionally, the team developed a quoting tool to provide customer prices while in the field, an industry first and a significant differentiator.

These actions established the foundation for the OEM division to grow the business; doubling in two and a half years.

GROWTH INITIATIVES – RETAIL DIVISION

After realigning the OEM sales processes, Katsnelson focused on identifying areas to expand the retail division of Sleep Innovations. At that time, the retail division sold only memory foam mattresses, toppers and pillows to Big Box retailers.

- Identified Adjacent Product Categories — after a careful market assessment, Katsnelson pinpointed a new product line for Sleep Innovations: a memory foam bath mat. Katsnelson subsequently led the company's expansion into anti-fatigue kitchen and utility mats and mattress pads.
- Reinvented the Supply Chain — Katsnelson went to China to manage product development, select factory partners and shipped the first container of product within 60 days. Within one year, he improved on-time shipments and lowered product costs by selecting appropriate sourcing partners and expanding from one to six factories.
- Managed the Business from End-to-End — Katsnelson led marketing, sales, and operations for the new business unit. This included building a team of more than twenty people in the US and China. The new product categories were sold to retail customers in over a dozen discrete programs totaling over \$50M of revenue in the first two years of launch.

KEY STATISTICS THAT LED TO A SUCCESSFUL EXIT

A well-executed strategy transformed Sleep Innovations, culminating in a successful sale to private equity firm Sun Capital in late 2012. The team collectively achieved remarkable results in under three years, including:

- Increased revenue and EBITDA over 70%
- Delivered over 400% return on equity
- Generated over \$50mm of revenue from the new business unit Katsnelson launched
- Created numerous jobs in the U.S. and China

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