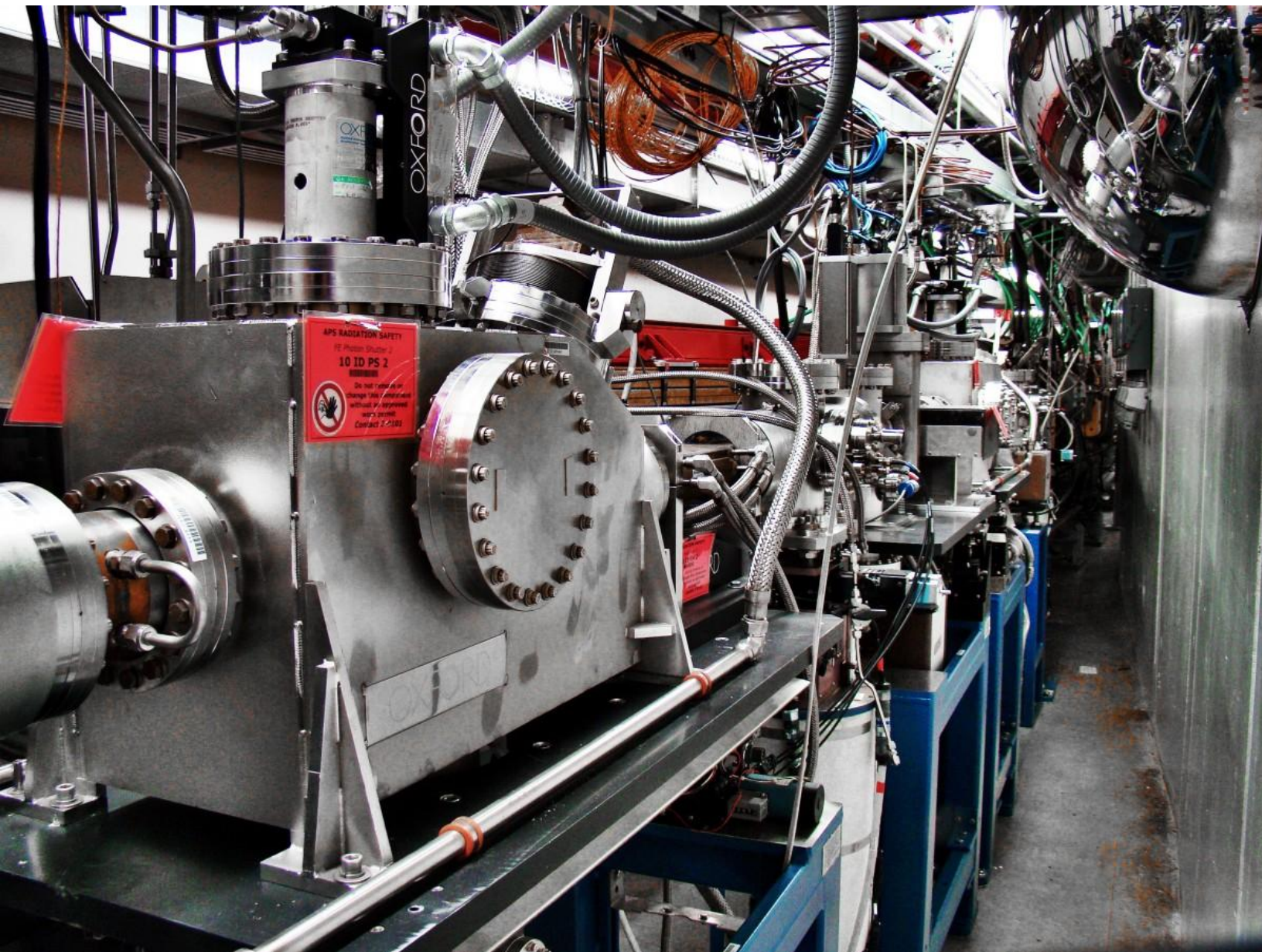


Beyond Financial Analysis: Uncovering the Real Story in Manufacturing Operations Due Diligence



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Why Site Visits, Operational Analytics, and Equipment Assessments Matter?

Manufacturing Operations Due Diligence: Beyond the Numbers

In M&A, manufacturing operations due diligence is often perceived as a financial review focused on costs, margins, and asset utilization. However, successful investors understand that unlocking real value requires a much deeper dive into how the business actually runs. A comprehensive operational assessment extends well beyond spreadsheets and into the shop floor, uncovering opportunities and risks that numbers alone can't reveal.

The Power of Site Visits

Numbers can highlight performance gaps, but only site visits reveal the root causes. Walking the production floor provides critical insights into the maturity of the manufacturing operating system. This includes observing standard work practices, visual management, adherence to safety protocols, and the use of continuous improvement methodologies. It also reveals cultural and leadership dynamics that influence execution and scalability. These qualitative indicators are often leading signals of future performance.

Operational Analytics: The Story Behind the Numbers

While financial metrics are essential, operational analytics provide a view into inefficiencies, throughput constraints, and variability drivers. Understanding product versus process compatibility is key, as a product portfolio misaligned with manufacturing capabilities may require process changes or even re-engineering. Operational analytics also reveal capacity utilization, setup times, scrap rates, and labor productivity, all of which inform where value can be created post-close.

Equipment: Age, Condition, and Capability

The age and condition of machinery tell a story of historical investments and future potential risks. A plant filled with aging, poorly maintained equipment may face reliability issues and unplanned downtime, impacting cost and service levels. On the other hand, modern, well-maintained equipment may enable automation, quality improvements, and throughput gains. A physical audit of the capital base is essential to assess replacement needs, scalability, and fit for future growth plans.

Conclusion

Effective manufacturing operations due diligence requires a holistic approach. It combines site visits, operational analytics, and hands-on equipment assessments to reveal the true state of operations. Only by understanding the interplay between people, process, and assets can buyers fully gauge risk, identify value creation levers, and build a confident investment thesis. Looking beyond the numbers is not just good practice; it's essential to successful deal execution and long-term value realization.

For more information, please reach out to:

Ashim Talukder
Managing Director
atalukder@kiansolutions.com

Kian Solutions at a glance

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