

Engagement Summary

Overview

A large vertically integrated producer with operations throughout the Pacific Northwest (the “Client”) wanted to benchmark the operating efficiency of its aggregate operations against that of other producers serving the region. The Client’s sought to understand how its production and distribution costs compared to those of its competitors, so that it could quantify performance improvements that might be realistically achievable within its aggregates operations.

The Client also sought to understand the impact that relative production / delivery costs might be having on bidding activity within the region, and whether the Client should refocus its sales efforts on products, projects, and markets in which its advantages are most pronounced.

The Client engaged Inlet Capital Group to complete a cost-benchmarking study of its aggregate operations in the Seattle, Washington and Portland, Oregon metropolitan areas.

Engagement Approach

Inlet Capital Group engaged as strategic advisor to the Client, seeking to assess the total cash cost to produce, distribute, and deliver aggregate products incurred by each production facility serving the Seattle and Portland markets. Relying on a combination of 3rd party data, in-market interviews, and its own proprietary database, Inlet Capital Group developed estimates of the market sizes using both supply-side and demand-side analyses. The firm also estimated the production costs of each sand & gravel operation serving the region, the rail and/or barge costs to distribute product through regional terminals, and the delivery cost from each point-of-sale to the end customer. Inlet Capital Group separately incorporated information about recent or pending investments, reserves additions or depletions, or other strategic developments that might affect the future cost profile of each competitor.

Results

Based on these analyses, the Client was able to assess its current position in the supply stack of each market, to determine what best-in-market production costs were, and to establish goals for its own performance. The Client was also able to make specific adjustments to its marketing efforts, sharpening its focus on core products and retreating from areas in which competitors enjoyed clear advantages.

Additional Information

Inlet Capital Group provides strategy consulting and transaction advisory services exclusively to the construction materials and mining industries. Its clients include publicly traded companies, family businesses, and independent sponsors, as well as private equity and family office investors. For more information, please contact Greg Dayko at (561) 529-5569 or via email at gdayko@inletcapitalgroup.com.