

SESSION
WILL BEGIN AT
1:03 EST

CM

&E

CANADIAN
MANUFACTURERS
& EXPORTERS

LEADING FROM CRISIS

CALENDAR						
SUN	MON	TUE	WED	THU	FRI	SAT
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			



31
DECEMBER
2019
June 23, 2020

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WELCOME REMARKS



Tod Gilbert

President

VMAC Global Technology Inc



LEADING FROM CRISIS

Our Journey

Who is VMAC?

Two stories of VMAC's perseverance through Crisis

- What happened?
- What did we do?
- What was the result?

What did we learn to apply through COVID-19 pandemic?

VMAC Global Technology

Nanaimo, Vancouver Island, British Columbia

VMAC
VEHICLE MOUNTED AIR COMPRESSORS



VMAC Global Technology

Manufactures **V**ehicle **M**ounted **A**ir Compressors

- Established 1986
- High performance oil flooded rotary screw air compressors
- Single site on Vancouver Island, ~300 dealers around globe (N.A., S.A., UK, EU, New Zealand, Australia, Middle East, South Africa)
- Supports diverse range of industries and customers



VMAC Global Technology

VMAC products are used in a variety of industries in extreme environments around the world including:

- Heavy equipment repair
- Oil and gas
- Tire service
- Construction
- Utilities
- Municipalities
- Any other application requiring pneumatic tools



VMAC Global Technology

VMAC is a vertically integrated facility:

- In-house design
- Onsite foundry
- Machine shops
- Metal fabrication
- Powder coating
- Mechanical assembly
- Quality Assurance
- Logistics
- Customer support
- In-house Marketing



LEADING FROM CRISIS

Perseverance

Two stories to share:

2010: Tragedy struck during market downturn. Founder and company president Tony Menard died in an accident

2015-2016: Market downturn, out of space, people stretched thin, facing financial hardship.

LEADING FROM CRISIS

Perseverance

2010 Tragedy: Founder and company president Tony Menard died in an accident during downturn

- A LOT of uncertainty for team already on workshare
 - Personal loss of friend/leader
 - What was going to happen to company?
 - Who's going to lead?
- Very challenging communication/support
 - Recognition of personal mental health, grievance and financial safety
 - Transparency about what was happening/unknowns
 - Updates provided frequently and to entire company
 - Recognition of unknowns for all stakeholders: family, friends, leadership, coworkers



Tony Menard: 1958-2010

Perseverance

2010 Tragedy: Founder and company president Tony Menard died in an accident during downturn

- Strong engagement of team when plan communicated
 - Succession plan (new ownership announced, including all employees)
 - Consistent/known leadership (co-founder returning to step into President role)
 - Up to everyone to keep Tony's legacy alive
 - Transparency of process and what was known and what would take time
- Security of business, family and VMAC team employment established
 - Board of Directors formed for business advisement/guidance

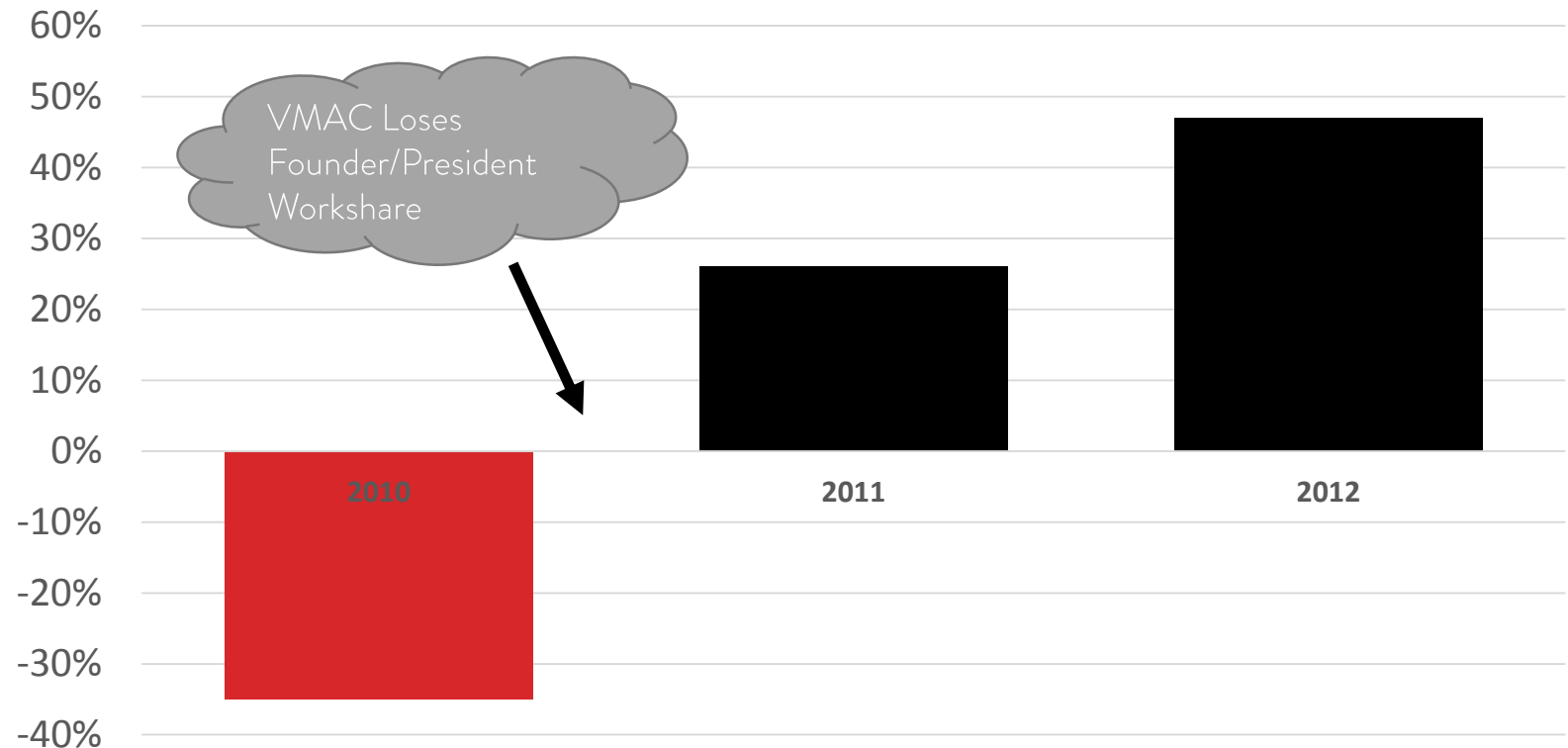
LEADING FROM CRISIS

Perseverance – What Happened?

Coworkers had a newfound sense of purpose

Workshare to breaking monthly revenue records within 1 month

Year Over Year Revenue Growth



Perseverance

2015-2016 Market Downturn

- Breakeven was optimistic target
- “Out of space” in factory. Not the time for expansion
- People “busy” at downturn revenue levels. Need people and space to grow!
- Investment in Lean Manufacturing. Put every person through multi-day training during challenging financial time

Perseverance

2015-2016 Market Downturn

- Management developed and communicated recovery plan including developing new products, new markets, changes in management, efficiency through lean manufacturing
- Plan presented to board of directors and majority shareholders to avoid layoffs, invest in team showing future recovery
- No layoffs, needed to be ready for recovery despite short term financial pain
 - Used Workshare program to maintain team
- Transparency with all coworkers on financial position
 - 1/4ly all hands meetings showing financial results
 - Communicated recovery plan
 - Engaged all coworkers in recovery

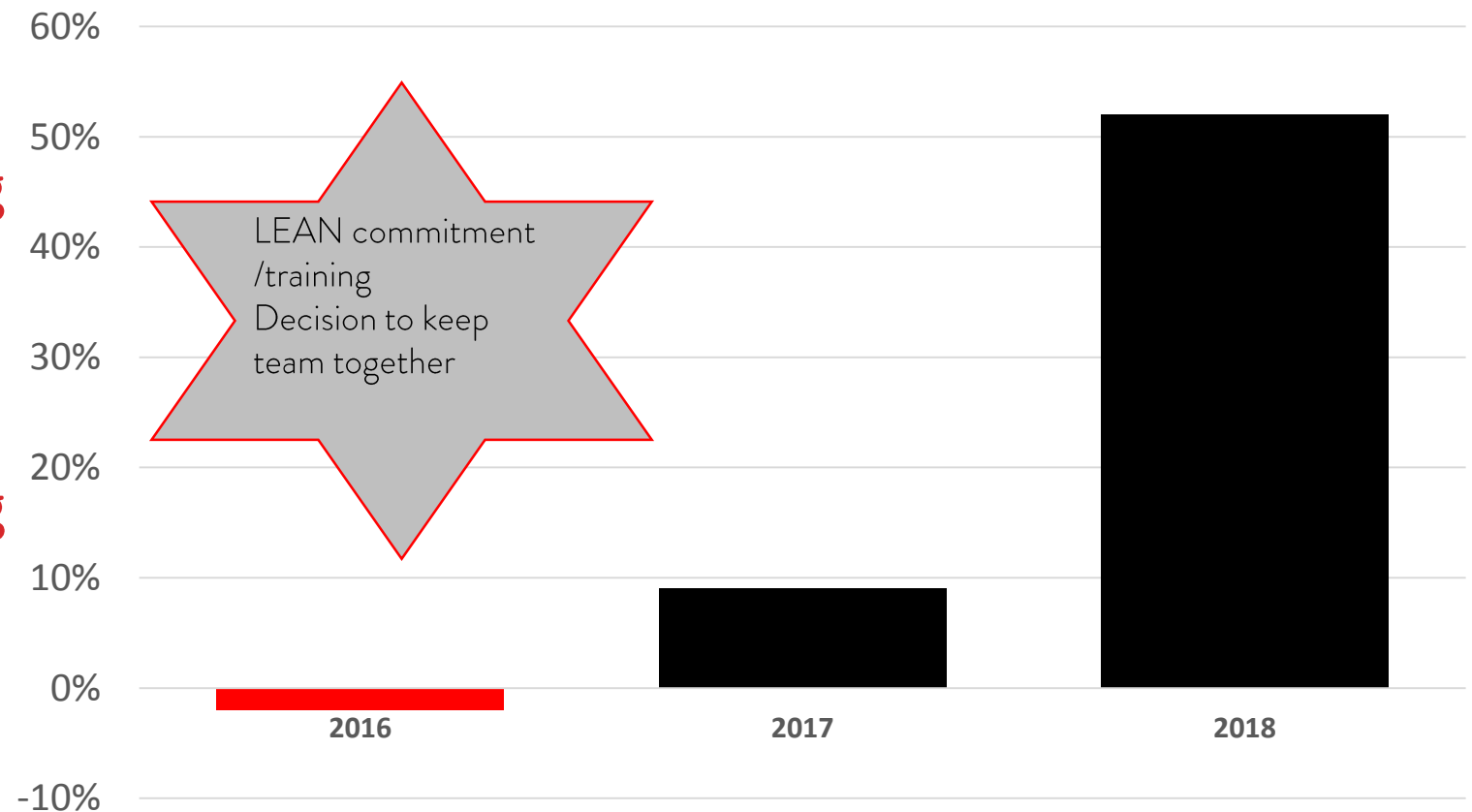
LEADING FROM CRISIS

Perseverance – What Happened?

Team managed unplanned
50% growth year

- No new permanent building space
- Very few coworker additions
- Lots of lean problem solving

Year Over Year Revenue Growth



Perseverance – What Contributed to Success?

1. People
2. Planning and monitoring
3. Communication and transparency

People: What did we do in crisis?

Commitment and loyalty is earned and is a two-way street

First priority was how to get through crisis with team in-tact

- Considered/prioritized **long-term** sustainability
- Crisis was time when loyalty earned and people measured authenticity of values (both written and unwritten)
- Respected team with frequent open and honest updates

Engaged team in sustainment and recovery.

- Sense of purpose/common goal provided drive and positivity
- All in it together approach. When workshare implemented, everyone took same cut*
- Every person given dedicated time for improvements
- Every success celebrated, even small when in times of crisis

Planning and Monitoring

Long term business sustainment was primary focus

- Took short term hit to come out stronger on other side
- Recognized impact to culture and difficulty to get people back
- Invested in training and development, even in financially challenging times

Forecasting & Scenario Planning

- Revenue and recovery plans created and updated
- Communicated plans and updates to all coworkers
 - Good or bad, developed buy-in and understanding to tough decisions, delayed expenses and hires
- Forecast helps maintain long term view

Communication & Transparency

Respect and trust team with honest updates

- Transparent financials, everyone knew sales pipeline, shipped revenue, etc.
- Difficult/bad updates created trust and purpose
- Quarterly all coworker meetings (at a minimum) with more frequent stand up meetings during peak times of crisis or when critical information came up
- Quarterly profit share program, full visibility if company was profitable
- Visibility to forecast and outcomes so people shared understanding of what was important to sustainability
- President was visible on shop floor talking/checking in with team and had coveralls on helping out

How have we approached COVID-19?

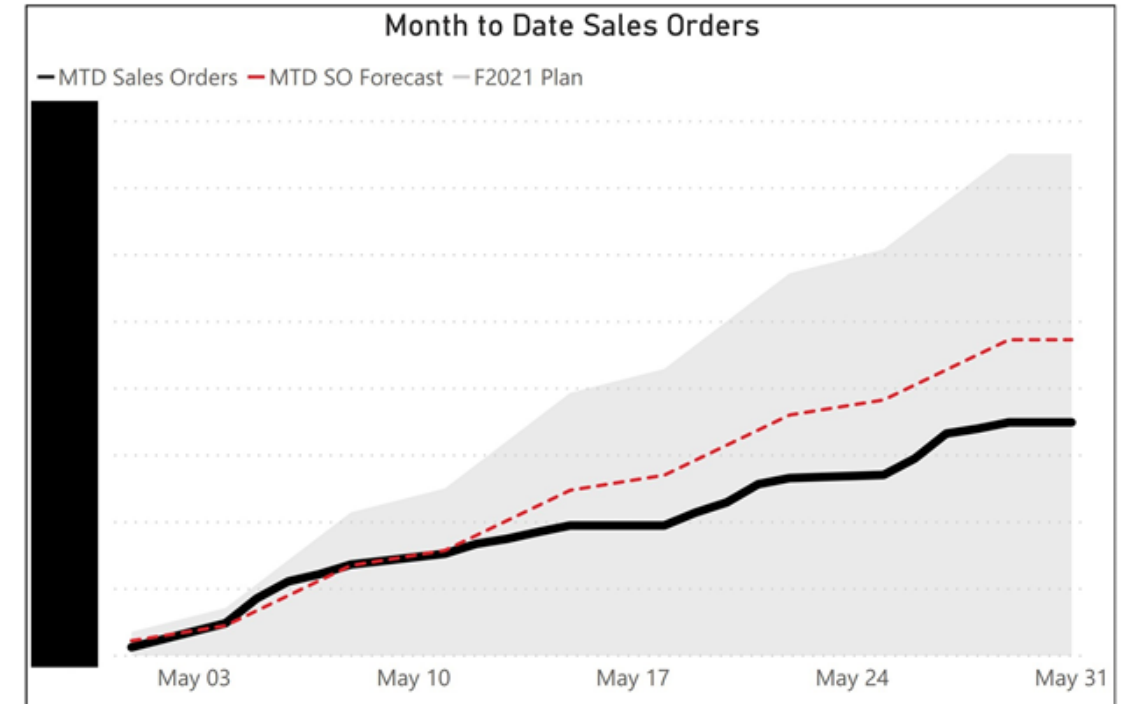
People: First focus for VMAC to get through with team intact

- Rapid implementation of policies and safety measures put in place to ensure safety and security of entire team
- Ok with breakeven/small loss in short term as forecast shows potential for significant payback during recovery
- IT investment to accommodate remote workers: security, infrastructure, support
- Frequent updates so team knows where we are at and what our options are
- Using CEWS as significant opportunity.
 - All free capacity used on continuous improvement and training
 - Developed online training and online continuous improvement coaching
- Provided/modified policies paid medical leave and loan options for coworkers during COVID-19
- Flexibility with shifts and creativity with processes to ensure entire team felt safe and remained productive

Planning and Monitoring

Short Term monitoring

- Weekly (at minimum) sales forecast updates
- Direct communication with top 50 customers to get updates on their forecasts
- Scaled back short-term (non-strategic) cash expenses
- Cash and AR updates multiple times per week, comparing to forecasts
- Close monitoring of economic conditions, government assistance and market through CME, BDC, Canada's Best Managed updates, customer communication and media



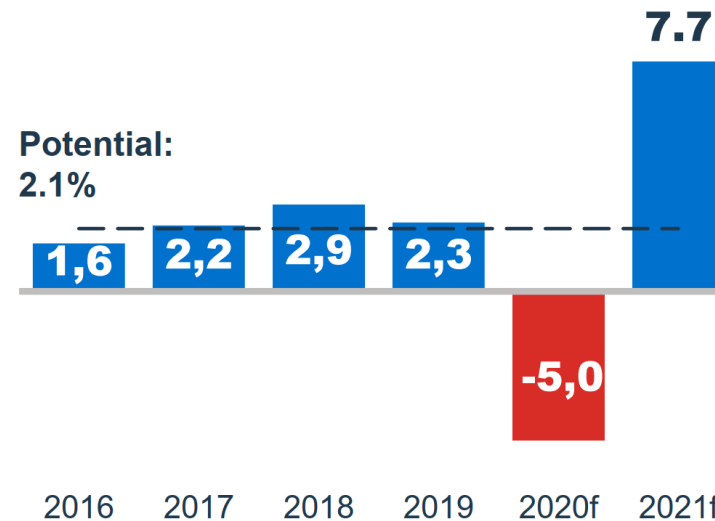
Planning and Monitoring

Long term business sustainment primary focus

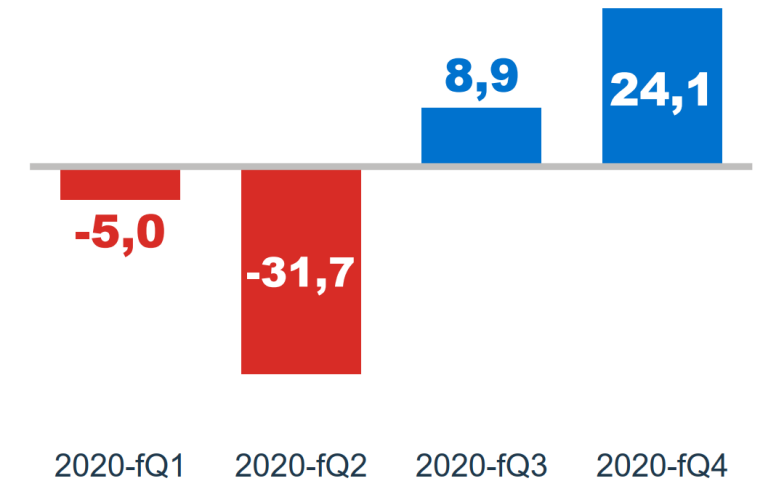
- Established revenue “goal posts” when we would need to change tactic (CEWS to Workshare for example) through scenario planning
- Cashflow scenario modelling to ensure we have financial buffers in place before they were needed
- Maintained long term investments in developments and equipment

The U.S. economy has taken a hard hit

Real annual
GDP growth (%)



Quarterly growth,
annualized (%)



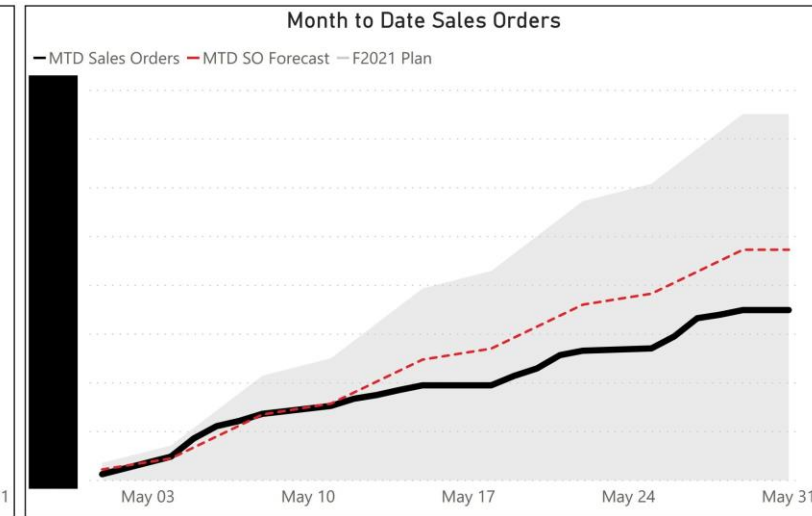
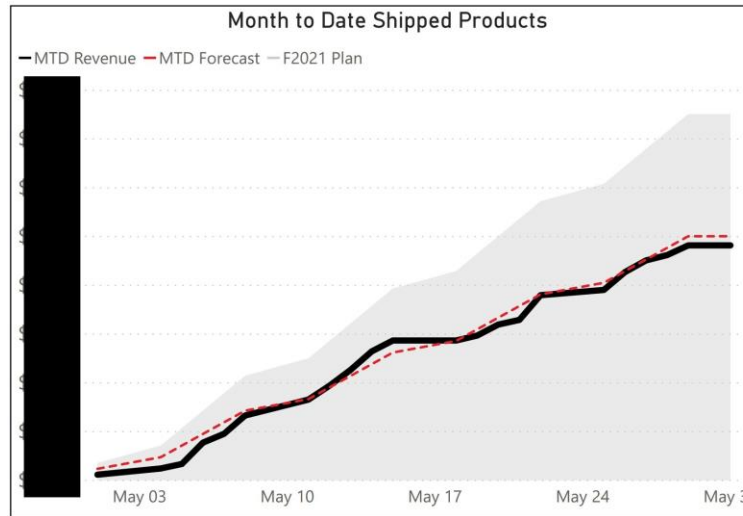
Note: f = forecast
SOURCE: Oxford Economics, BDC calculations

BDC – Economic Outlook and Analysis 14



Communication & Transparency


- Frequent “how we are doing” updates through direct email, monthly newsletter, and company wide presentations
- Daily shipped and sales revenue goes to all coworkers. All coworkers were aware of sales pipeline and monthly revenues.



- Open and honest with unknowns and uncertainty. No promises made but understanding of approach
- “One Page Plan” strategic plan updated and reviewed quarterly with all coworkers
- Senior management walks through plants, openly discuss financial status, answer questions about order volumes, government subsidies, etc.

Communication & Transparency



		Guiding Principle (How we Conduct Business)							
We live our lean culture to ensure our success, empower our people and provide value to our customers and community									
Purpose Why do we exist?	Core Values/Beliefs How should we work?	3 Yr. Priorities (Feb 2023) Key Thrusts/Capabilities		1 Yr. Priorities (Feb 2021) Key Initiatives		2nd Quarter Priorities (June-Aug) Corporate Objective		Responsible (Support) Dept(s)	
<p>To carry forward the innovative spirit established by our founders through our products, the superior customer service emphasized in our every relationship, and the family values core to how we do business every day.</p> <p>Our core values serve as the ethical compass that prescribes how we must act to achieve our purpose.</p>	<p>We place the safety of our coworkers & products above all else</p> <p>We treat customers, coworkers & suppliers with respect at all times.</p> <p>We continuously improve our processes and products to provide maximum customer value</p> <p>We lead the market by innovating with a deep understanding of product design</p> <p>We aren't afraid to fail. We must test our ideas and learn to succeed.</p> <p>We persevere as long as a cause remains worthy.</p> <p>We are accountable to ourselves and our teams</p> <p>We must be profitable to be sustainable.</p>	Safety	Integrated Safety Culture	Occupational Safety Standard of Excellence Certification (OSSE)		All Risk Assessments Current		All Leaders	
		Sustainable Growth	North American Market Growth	US Redacted Dealers and National Accounts Development		Prepare for Redacted Dealer Conference		Marketing (Sales, QA, Eng, Tech Support, Logistics)	
			Redacted	Redacted		Redacted		Engineering (VRP, QA, Supply Chain, Assembly)	
			Product Quality Improvement Culture	Integrated, Lean and Value-Focused Quality Management System Development		Create Company-Wide Visibility on Quality Initiatives		Quality (Tech Support, Finance)	
		3 Yr. Targets (Feb 2023) Where are we going?		1 Yr. Targets (Feb 2021) What we will achieve		2nd Quarter Targets (June-Aug) What we will achieve		Responsible Dept(s)	
		Safety Part of the Culture (specific safety priorities not required)		Achieve and Maintain OSSE Certification		All Risk Assessments <12 Months Old (Aug 2019 Oldest Update)		All Leaders	
		Vehicle Integrated Units	> xxxxx units (F2020 units ~xxxx)	Redacted Growth	> xxxx VI units (was xxx)	Plan 130 Redacted Demonstrations		Sales (Marketing)	
		Packaged Product Units	> xxxxx units (F2020 units ~xxxx)	Redacted Growth	> xxxx PP units (was xxx)	Redacted Video and Presentation Completed		Marketing (Sales)	
		Redacted System Units	> xxxxx	Redacted Compressor Sales	> xxxx units	Redacted Units Assembled and Tested Using Verified Assembly Process		Engineering (VRP, QA, Supply Chain, Assembly)	
		Warranty % of Revenue	< x%	General Warranty Costs Stabilized	< \$ xx K	Rollout of Training Program to Leadership		Quality (Continuous Improvement)	
		Annual Revenue (@ FX 1.3)	> \$xxxM	Revenues (CAD)	\$ xxM	Develop Readiness Criteria for New Products		Engineering (Tech, QA, Sales, Marketing)	
						Revenues (CAD)	Plan \$xxM Forecast \$xxM		All Coworkers
						Operating Overheads	<xx% <xx%		
		Operating Income (Before Taxes & Incentives)	> xx%	Operating Income	> xx%	Operating Income	>xx% >xx%	All Coworkers	
		3 Yr. Product Releases		F2021 Product Releases (by Feb 2021)		2nd Quarter Product Releases (Jun-Aug)		System Numbers	
		Product name 1		Product Name 1		Specific System 1		Part number 1	
		Product name 2		Product Name 2		Specific System 2		Part number 2	
				Product Name 3		Specific System 3		Part number 3	
						Specific System 4		Part number 4	

Results

We will persevere as long as the cause remains worthy! (it's a VMAC core value)

- Long term unknown, ask me next year.
- In May, day after profit share deferral announced, Great Place to Work survey sent out, 91% voted VMAC Great Place to Work
- Kept all coworkers to date through COVID-19, despite significant impact to revenue
- Newer coworkers are seeing the culture and values that we have spoken in action. Building trust and loyalty every day
- Developed new tools and skills, increased productivity in many processes that we were “forced” to innovate
- Multiple continuous improvement projects completed and initiated

Exercise

What are your opportunities from COVID-19 crisis?

There has been a lot of focus on business sustainment/survival the last 3 months. Time to consider the opportunities.

- What opportunities have come up?
- What is your next step to prepare for that opportunity?
- What resources do you need for this opportunity?

Write down your answer and discuss it with your team.



THANK YOU FOR ATTENDING

Tod Gilbert

President

Tod_gilbert@vmacair.com | VMACAIR.COM

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