

## Bankruptcy to a 400% Return on Equity

**>400%**  
Return on Equity**+500%**  
EBITDA Growth**+\$50MM**  
Revenue Created**KEY ACHIEVEMENTS**

- Increased **revenue and EBITDA over 70%**
- Delivered a **return on equity of greater than 400%** to investors
- Generated over **\$50MM of revenue** from a new business launched by Katsnelson
- **Created numerous jobs** in US and China

**INVESTMENT PHILOSOPHY**

- Identify opportunities of **asymmetric risk** to maximize returns and mitigate risks
- Pursue opportunities with **clear pathways to growth** aligned with Katalyst's direct operating expertise, and
- Deploy into each Company to **drive value and execute** on Katalyst's value creation plan.

**SITUATION*****Sleep Innovations was facing liquidation***

Sleep Innovations, a \$300mm foam manufacturer 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, which resulted in a recommendation to support the company. Katsnelson was brought in to lead Strategic Planning to transform the business and identify new areas of growth.

**TRANSFORMATION*****Delivering operational excellence and launching new business***

Katsnelson redefined the sales process to drive revenue within the stagnant OEM division. Katsnelson improved processes by defining an addressable market of 250-miles around each plant for more efficient delivery, segmented the customers, and implemented a CRM driven sales process to increase sales. For the retail division, Katsnelson launched a new business unit, Specialty Products, which diversified the company outside the core memory foam sleep products into memory foam bath mats and kitchen mats, all produced in China, thereby limiting impact on the core business.

**OUTCOME*****Bankrupt to thriving, doubling revenue in 2.5 years***

- Sleep Innovations grew revenue and EBITDA by over 60% and 500% enabling the sale to a large private equity firm.
- The revamped selling process and target market established the foundation for the OEM division to double the business to \$200MM in two and half years.
- Developing Specialty Products created revenue of over \$50M in the first two years of launch.

**Takeaway**

- Bringing systems and processes to the business fueled growth in a stagnant business
- Launched consumer products business from product development to sales