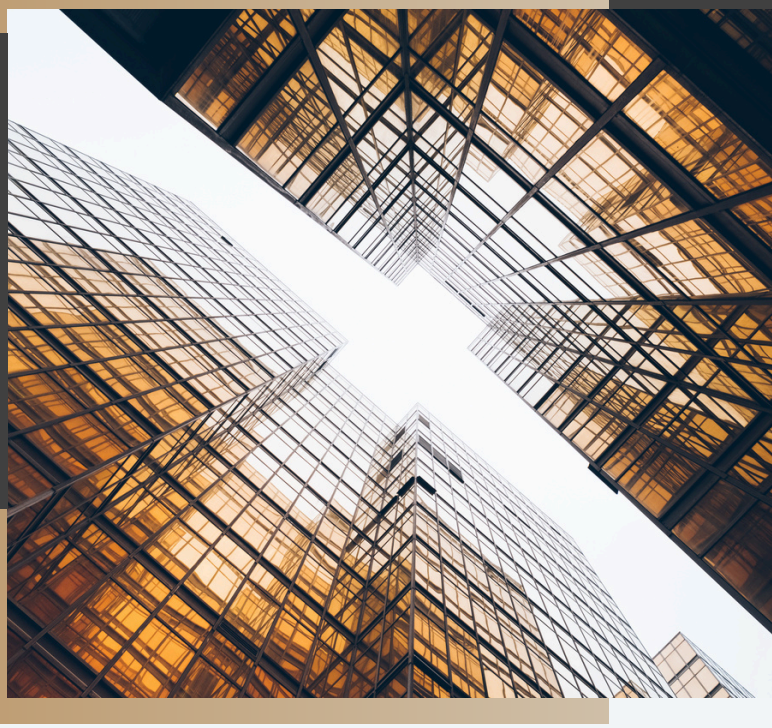
LEVERAGE
SUPPLY CHAIN GROUP

CASE STUDY

Rapid Operational Diligence & Automation ROI Validation



CLIENT

Private Equity Sponsor
Target: Leading pharmaceutical returns and reverse logistics operator

BACKGROUND

A private equity firm was evaluating the acquisition of a fast-growing pharmaceutical returns processor serving manufacturers, wholesalers, and pharmacies across the U.S.

The target demonstrated strong compliance performance and steady growth, driven by increasing returns volume and strategic manufacturer relationships.

However, operations were nearing physical and labor capacity, with automation positioned as the primary lever to unlock scalability and margin expansion.

The sponsor engaged Leverage Supply Chain Group (LSCG) to validate operational integrity, scalability, and automation ROI prior to exclusivity — ensuring the investment thesis was grounded in execution reality.

CHALLENGE

The sponsor sought to confirm whether the target's automation and labor efficiency assumptions could sustain rapid growth without compromising throughput, compliance, or investment returns.

KEY DILIGENCE QUESTIONS

- Can operations scale to meet forecasted volume growth?
- Is the automation plan technically sound and properly staged?
- Are labor and cost productivity assumptions realistic?
- What execution risks could impact throughput or ROI post-close?

Engagement Duration: Two weeks
Deliverables: Operational diligence memo, automation ROI validation, execution risk map

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APPROACH

Leverage executed a focused pre-diligence sprint, integrating investor rigor and operator depth

Data Review Financials:

- Rebuilt throughput and labor models from data room files.
- Tested productivity, cost, and margin assumptions against benchmarks.

Site and Process Assessment:

- Observed end-to-end workflows to identify bottlenecks, space constraints, and labor utilization.
- Interviewed operations leaders to assess readiness for automation.

Automation & ROI Validation:

- Reviewed automation proposal and modeled throughput vs. forecast.
- Evaluated integration readiness and key change-management risks.

DILIGENCE OUTPUT

- Scalability assessment
- Automation ROI validation
- Key execution risks and mitigations
- Post-close operating model recommendations.

FINDINGS

Strong Foundation & Growth Levers

- Deep customer relationships and strong compliance discipline.
- Healthy growth trajectory with automation as the key enabler.

Operational Challenges

- ~35% of labor activity value-add; heavy re-handling and congestion during peak volume.
- Manual workflows and space constraints limit scalability and consistency.
- Automation required to sustain throughput and compliance at scale.

Automation Insights

- Automation strategy validated as technically sound and staged for growth.
- Phase 1 system covers ~44% of forecasted volume; hybrid model required.
- Efficiency gains depend on disciplined induction staffing, QA, and WMS integration.

Financial Impact

- Labor productivity projected to rise from ~69k to ~89k billed units per FTE.
- ROI > 38% IRR with < 3-year payback.
- Significant leverage on labor and facility utilization post-implementation..

RESULTS

Leverage Supply Chain Group delivered rapid, operator-led diligence that validated the target's automation strategy, exposed scalability risks, and quantified ROI with precision.

The engagement equipped the sponsor with clear insight, execution confidence, and a repeatable framework for future healthcare logistics investments.