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THOUGHT LEADERSHIP SERIES

Q&A with Jim Gillespie,
CEO of GrayMatter

**“The intersection of technology
and manufacturing”**



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Victoria Arrigoni, G2's Industrials & Manufacturing Practice Leader, sits down with Jim Gillespie, CEO of GrayMatter



Jim Gillespie
Co-founder & CEO

GrayMatter co-founder and CEO Jim Gillespie has been leading industrial digital transformations for more than 30 years.

Jim focuses on curating technology and guiding the digital process, thus enabling assets and people to become smarter, more visible, and more productive.

GrayMatter co-innovates with companies in manufacturing, water/wastewater, power, and oil and gas markets to deliver custom-fit operational technology programs and solutions ranging from process control and manufacturing execution systems ("MES"), to predictive analytics and cybersecurity. GrayMatter enables assets and people to become smarter, more visible, and more productive.

Can you tell us a bit about your background and what led you to GrayMatter?

I went to Carnegie Mellon for computer engineering and then earned my MBA from Duquesne University.. Initially, I was accepted to a management training program for a large manufacturing company. My role worked closely with the VP of Technology, and I was able to see firsthand the inner workings of how to handle capital budgets and implement automation and tech-based strategies. I quickly realized there had to be a way to leverage technology that was faster, more efficient, and budget friendly. The fundamental concept behind GrayMatter was the notion of applying new technology to make work easier for people across industrial companies.

What are GrayMatter's core industry verticals and why?

Our core industries include batch and continuous manufacturing, food and beverage, consumer packaged goods, utilities, and water/wastewater, as well as energy and smart buildings. When you first look at those categories, it may seem as though they don't fit together. However, when you take a step back and look at it through the lens of Industrial Intelligence—which is the application of artificial intelligence systems to optimize operating states and reliably predict faults or failures—the unifying theme between GrayMatter's industries is highly

distributed assets that have the ability to provide very rich and interesting data. This data, combined with algorithms, connectivity, and computing, is the foundation of Industrial Intelligence.

How are the concepts of Industrial Intelligence and Digital Transformation connected for the companies that work with GrayMatter?

At GrayMatter, Digital Transformation relates to the idea of Industrial Intelligence—the ability to make better decisions about the interesting aspects of a business, and create a digital history of the operational journey. Digital Transformation allows businesses to contextualize what is happening in their operations and provide insights on which the individuals responsible for success can take action.

Has the focus within Digital Transformation priorities shifted for your clients with the COVID-19 pandemic?

GrayMatter's industry focus has significant overlap with essential businesses and critical infrastructure. Some of our utility clients and manufacturing clients like Proctor & Gamble, Smucker's, and

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-Jim Gillespie, CEO of GrayMatter

Kimberly-Clark are incredibly critical to the current situation, so our pace has been moving even faster than it was before. We help our clients think about transforming operations and empowering people. COVID-19 has shifted the focus to helping our clients build, sustain, and provide a secure environment for their remote industrial workforce.

Are there any particular trends that you've observed through the last three months of the COVID-19 environment?

The major standout theme that we've observed in working with our clients is the importance of resilience: the resilience of people, operations, and strategy. People are our clients' best assets: in the current and future environments, an ability to work remotely and securely is so much more important. We've seen operational focus shift with the increased demand for managed service offerings. Because it is operational expense-oriented (vs. capital expense), it extends the capability of in-house folks, and it provides access to expertise when it is needed—"phone a friend" theme. Lastly, clients have sought higher flexibility of strategy, where they are able to effectively move people, resources, and priorities. The Industrial Intelligence solutions we provide our clients are much more critical to successful operation and execution in today's COVID-19 and recovery environment, and directly enable companies to make data-based decisions for directing and/or reshuffling their strategy.

Can you characterize your mix of clients, from multibillion-dollar in

revenue manufacturers to middle-market companies, both today and compared to 10 years ago?

Quite a bit of our work is done within the middle market. Qualitatively, we began at a 50/50 split, but as time has passed, the ratio has been trending up toward middle-market clients. This trend is due to the affordability brought on by factors like cost of connectivity and cloud computing.

G2 Capital Advisors has a distinct focus on middle-market companies. From your perspective, how can Digital Transformation apply to and support middle-market businesses?

Digital Transformation is popular with larger companies, but it is incredibly accessible within the middle market as well. GrayMatter's approach is to meet clients where they are and help them with their journey regardless of where it starts. There is a misconception that to implement Digital Transformation, you need extensive IT departments; this is not always the case. Oftentimes our middle-market clients have either a vision or a problem, and we help them, through digitization, to conceptualize that vision or develop a practical solution to a problem.

How do you assist middle-market clients in determining the right path for applying Industrial Intelligence in their own manufacturing operations?

There are a lot of heterogeneous situations, so there is no one-size-fits-all. GrayMatter has created a series of accelerators for Digital Transformation, and we have a prepackaged set of services and technologies we use. There are five offerings that build on one another,

but depending on the client's situation and goals, the recipe for success is different for everyone. Some clients need help with alignment and vision as step 1. We have a visioning workshop, and sometimes partner with Carnegie Mellon to facilitate design thinking workshops. The next step is developing a road map, which sets the priorities and identifies the "just do its" that are obvious and quick to implement. GrayMatter likes to create a quick-to-win proof of concept or "proof point" as step 3. The next steps are reimagining user interfaces and user experiences for younger generations, to support the transition of tribal knowledge as a company's workforce turns over. There is a lot of old industrial tribal knowledge and training in old systems that we update to emulate the "Apple experience" for people coming into manufacturing today. This reduces and accelerates the training and onboarding requirements for new employees. Manufacturing is facing a major brain drain, with baby boomers moving out of the workforce, and this is universal across all company sizes.

What does "proof point" mean to GrayMatter?

Simply put, a "proof point" is a small proof-of-concept project that demonstrates a business outcome by using initial intelligence gained through preliminary work. The first goal is to prove the benefit to business leaders on a single line, a single machine, etc., in a relatively short period of time. The proof point underscores the importance of collecting better data to solve problems and optimize processes. We had one client, for example, who had a 20% reject rate happening. They

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manufacture aluminum castings that go into motorcycle engine blocks, and had a local university writing custom software for them, a war room with Oracle reports, etc. GrayMatter did a machine learning analytics proof for them that was relatively inexpensive. This resulted in an improvement to about a 3% reject rate. It was such a transformational moment for them, driven by that one piece of insight.

Can you speak to the discovery process your clients go through in learning results they didn't necessarily expect?

Frequently, our clients are unaware of the problems we identify. Usually the internal teams have distinct hypotheses or theories they are circulating based on key indicators—for example, spending too much money on waste could be due to an overfilling problem. Frequently, these types of findings are a by-product of our accelerator process. We establish the road map and find an initial proof point, really drilling into the client's operation and helping to uncover actionable insights early on, which can lead to huge savings. In one instance, we had a client who was tracking downtime events manually on a production line and only capturing those that were five minutes or longer. GrayMatter digitized their labor-intensive processes and was able to eliminate one overtime shift every week, leading to \$520K of annual savings. At the end of the day, if a company is not measuring good data, then operation management teams are left chasing opinions regarding how to enhance their processes, as opposed to making data-based decisions.

What are the common themes across GrayMatter's results you can speak to?

In my experience, there are three key areas that can either drive lower costs or increase revenue, depending on a client's need: (1) unplanned downtime, removing overtime costs, or increasing the amount of throughput; (2) quality improvement and yield improvement while maintaining quality specifications such as for product sold by weight; and (3) predictive maintenance, advances in sensors, and analytics allow for new maintenance processes where a machine is only maintained when necessary, avoiding human-induced problems caused by forced maintenance.

If you were to sit down with the owner of a company who has yet to embark on this process, what is the first thing you would want them to know?

- 1) It's a journey. The process of Digital Transformation is not something you can expect to simply “check the box” for.
- 2) Executive sponsorship is vital. It is incredibly important that this initiative be driven from C-level leadership in order for the transformation to have staying power.
- 3) Your competitors are already doing this. If you want to be best in class, this is something you need to consider.
- 4) Find a partner that can help you through it. If it's not GrayMatter, find someone like GrayMatter. This will be a longstanding partnership through many phases and iterations. Find a partner with vision that you can trust.

If you could tell business owners in need of Digital Transformation one thing about the impact GrayMatter's involvement could make on their company, what would it be and why?

GrayMatter will make our clients far more money than they will be charged—this is our superpower. We make the process easy to understand, easy to consume. And on top of that, our team has walked a mile in your shoes, and we are able to help our clients quickly, with true industry experience as our backbone.



Meet our team.



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About G2 Capital Advisors:

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We encourage you to reach out to our team above for more information!

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