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# DEMYSTIFYING SUPPLY CHAIN FINANCE

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ACT Webinar 2014

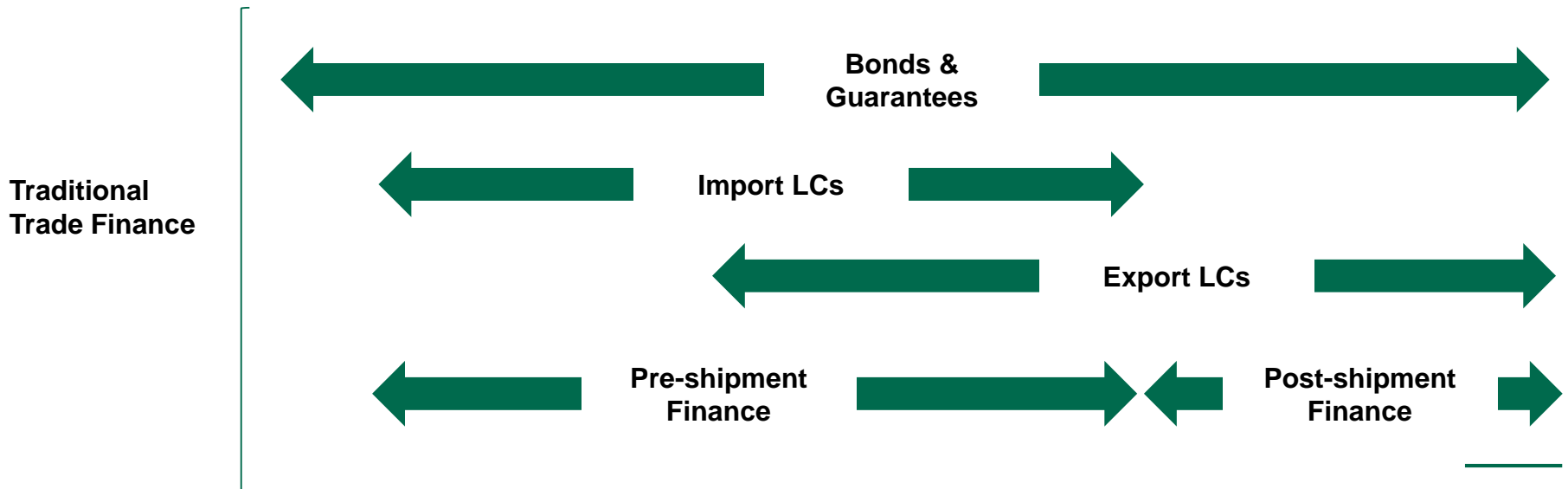
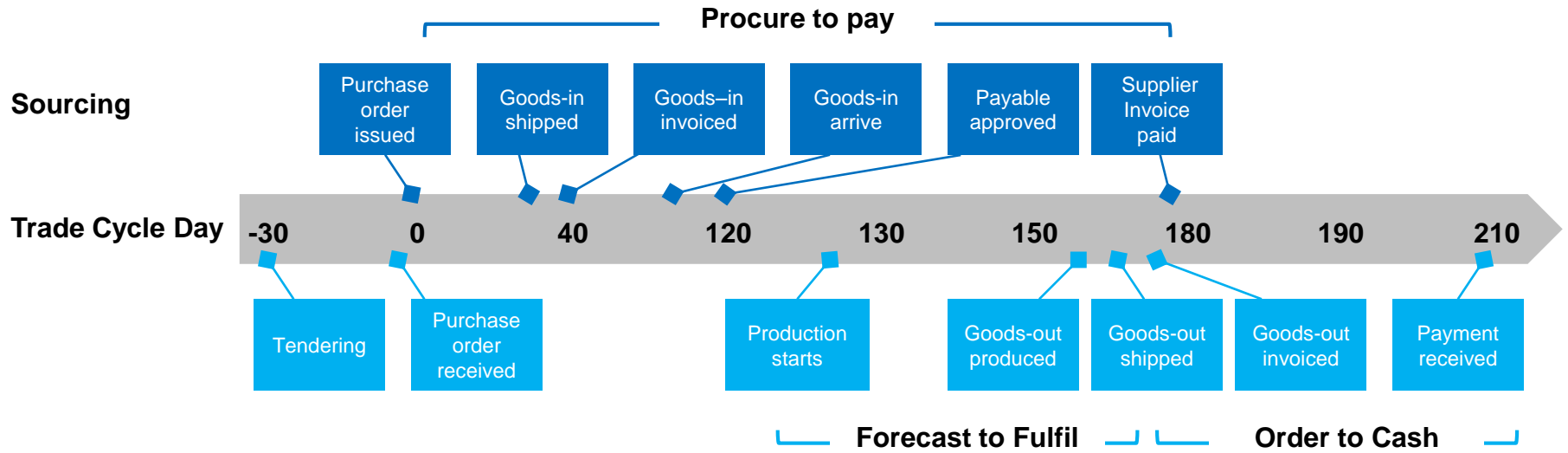
# DEMYSTIFYING SUPPLY CHAIN FINANCE

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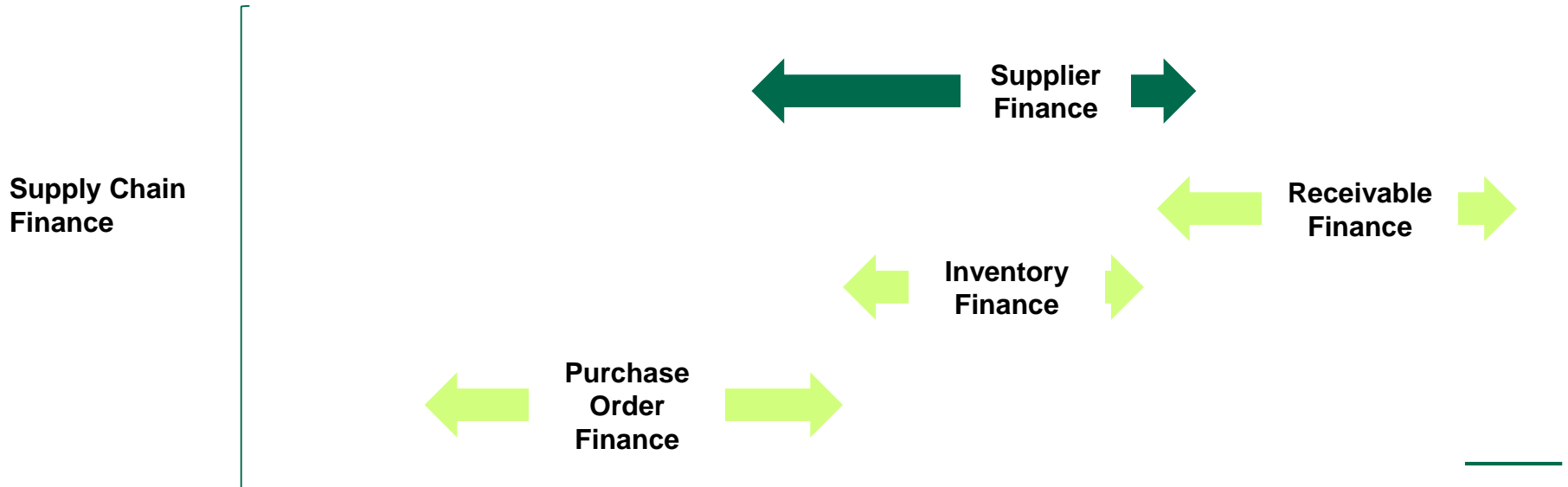
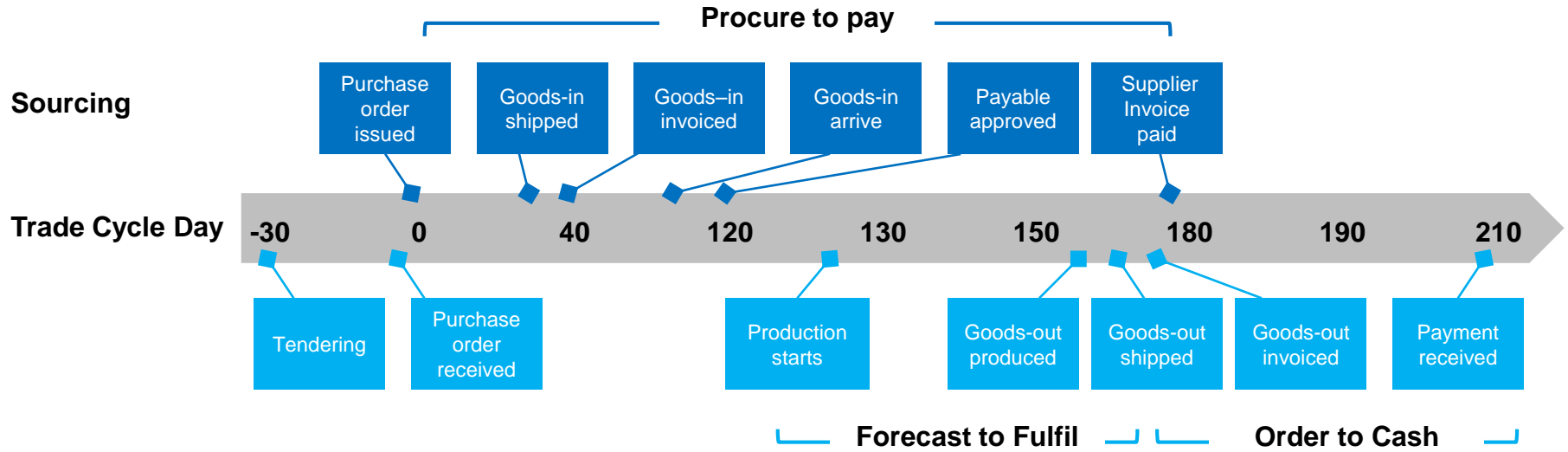
## Overview

- Documentary and Open Account Models compared
  - Typical trade cycle
- Benefits
  - Buyer
  - Supplier
- Programme Success Criteria

# SUPPLY CHAIN FINANCE – DOCUMENTARY MODEL



# SUPPLY CHAIN FINANCE – OPEN ACCOUNT MODEL



# SUPPLY CHAIN FINANCE – KEY BENEFITS

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## Buyer Benefits

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Increased Days Payable Outstanding (DPO)

Reduced cost of goods sourced

Supply chain stabilised and supported

Corporate Social Responsibility (CSR)

Balance sheet neutral\*



## Supplier Benefits

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Reduced Days Sales Outstanding (DSO)

Reduced finance costs

Access to finance decoupled from balance sheet strength

Immediate visibility into approved invoice and 100% certainty of amount and timing of payment

Non Recourse

# SUPPLIER FINANCE - SUCCESS CRITERIA

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## Programme Initiation

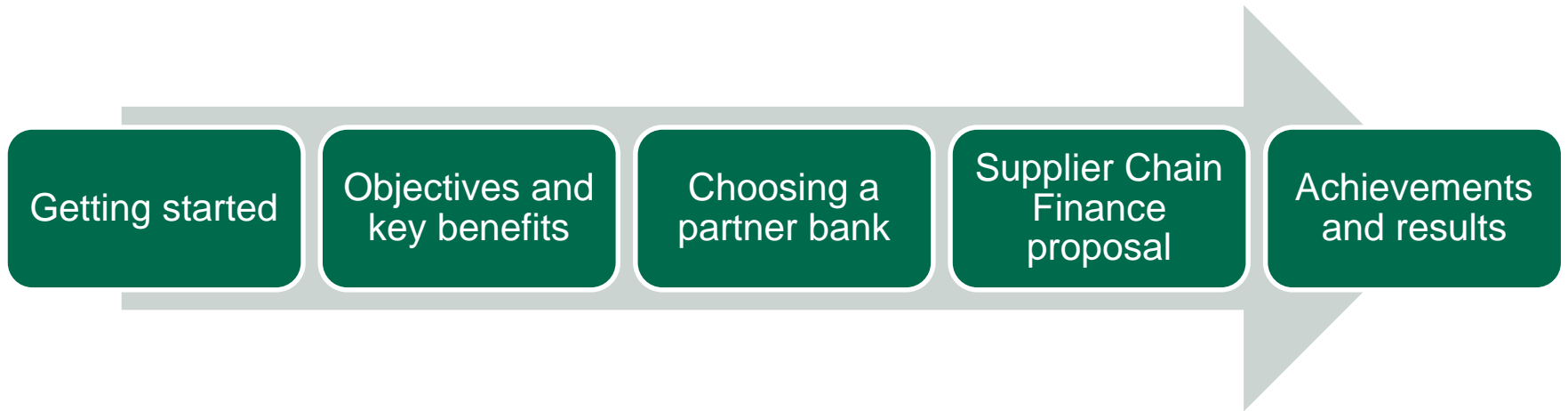
- Stakeholder collaboration (Treasury, Finance and Procurement))
- Dedicated supplier on-boarding site for buyers and their suppliers
- Consistent message to promote successful adoption
- Prioritisation of key suppliers
- Project management from inception, through on-boarding to transacting

## Programme Optimisation

- Monitor working capital benefit and internal cost savings
- Efficiency gains through standardised payment terms
- Embed supplier finance as part of BAU procurement process with new and existing supplier relationships
- Leverage potential for credit extension

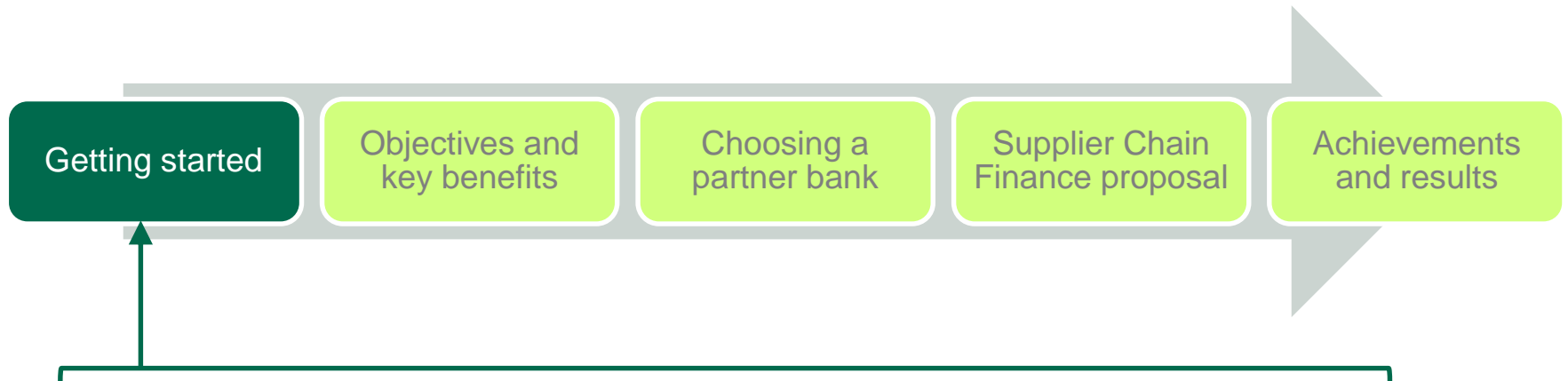
# CASE STUDY – EE SUPPLIER FINANCE

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# GETTING STARTED

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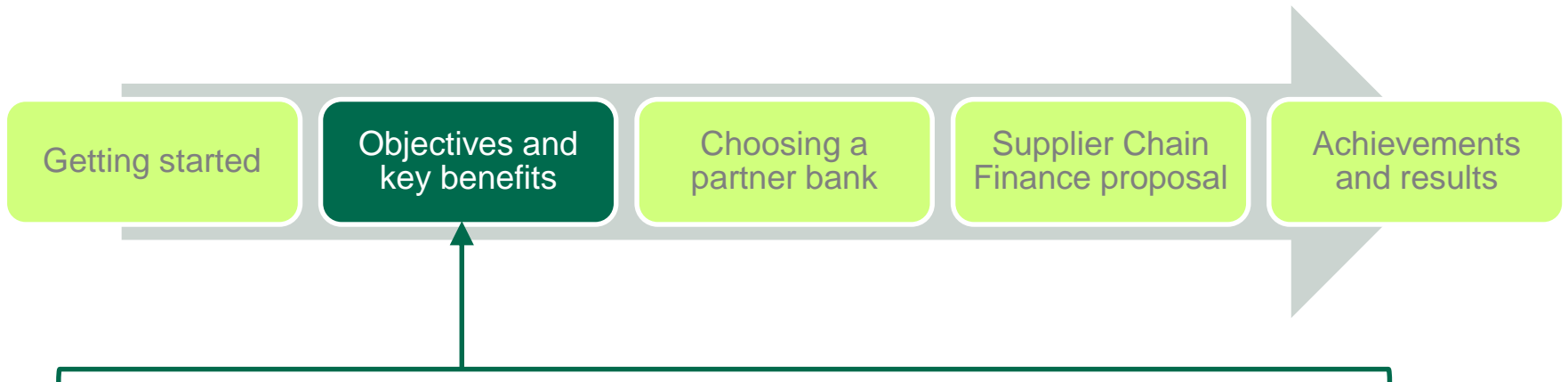


- Supplier Finance was driven by both Treasury and Procurement teams
- Representatives from both Treasury and Procurement teams were involved with the objective of aligning stakeholder interests
- Representatives from accounts payable and IT systems were involved on implementation
- Comprehensive and detailed presentations from Banks and wider reading of the subject matter improved understanding of Supplier Financing



# SUPPLY CHAIN FINANCE OBJECTIVES:

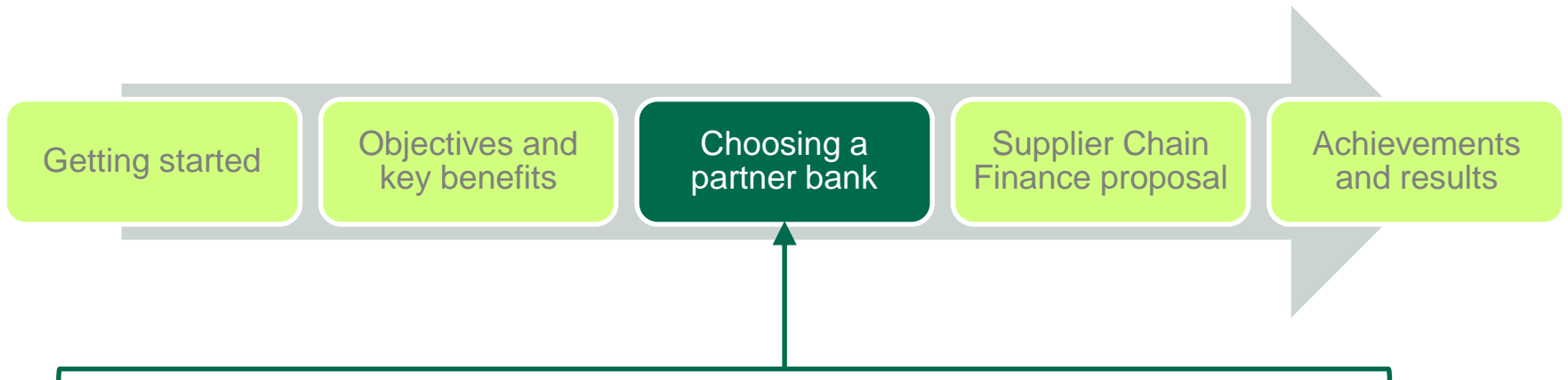
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- Key benefit to EE was to support supply chain initiatives in standardisation of payment terms
- No disruption to existing EE practices
- Working capital improvements

# CHOOSING A PARTNER BANK

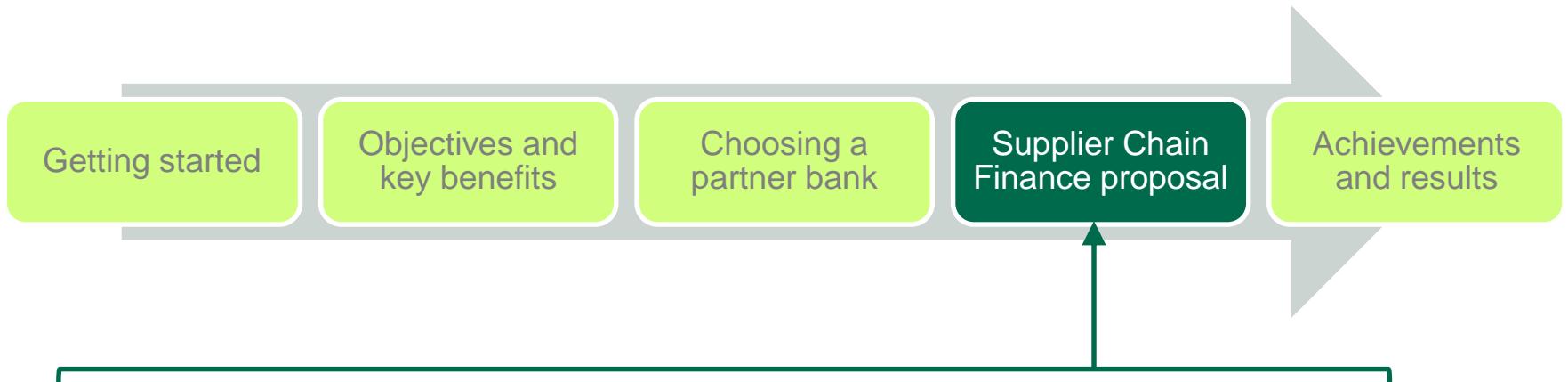
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- EE approached banks primarily based on existing relationships in line with existing internal policy
- All chosen banks responded to the RFP
- EE scored each bank using key criteria which included:
  - Implementation
  - Management Information
  - Business continuity
  - Financing and capital
- The top 3 banks were determined based on scoring criteria
- The winning proposal was determined when two of the top 3 shortlisted banks, Lloyds and JP Morgan submitted a joint proposal

# LLOYDS & JP MORGAN PROPOSAL

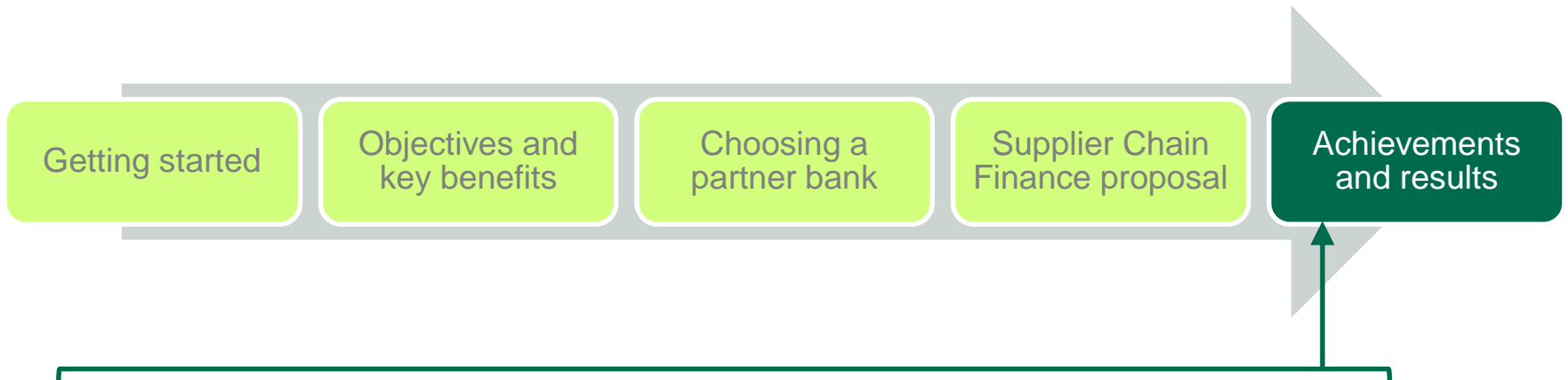
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- One set of documents was signed for simplicity to EE
- This allowed both banks to participate in funding the program and provide broad scope for capacity and growth
- The program utilises a single system access point common to both banks
- The benefits are:
  - ✓The strength of two bank balance sheets
  - ✓Strong UK Lloyds brand for UK suppliers and strong International JP Morgan brand for Global suppliers
  - ✓One system platform

# THE EE SUPPLIER FINANCE PROGRAMME

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- EE launched its Supplier Finance program in September 2013
- Procurement work closely with both banks in respective jurisdictions to maximise on-boarding efficiency and leverage strengths
- Weekly steering committee and project management calls
- Internal workshops with EE and Banks
- Working capital improvement objectives have been met