



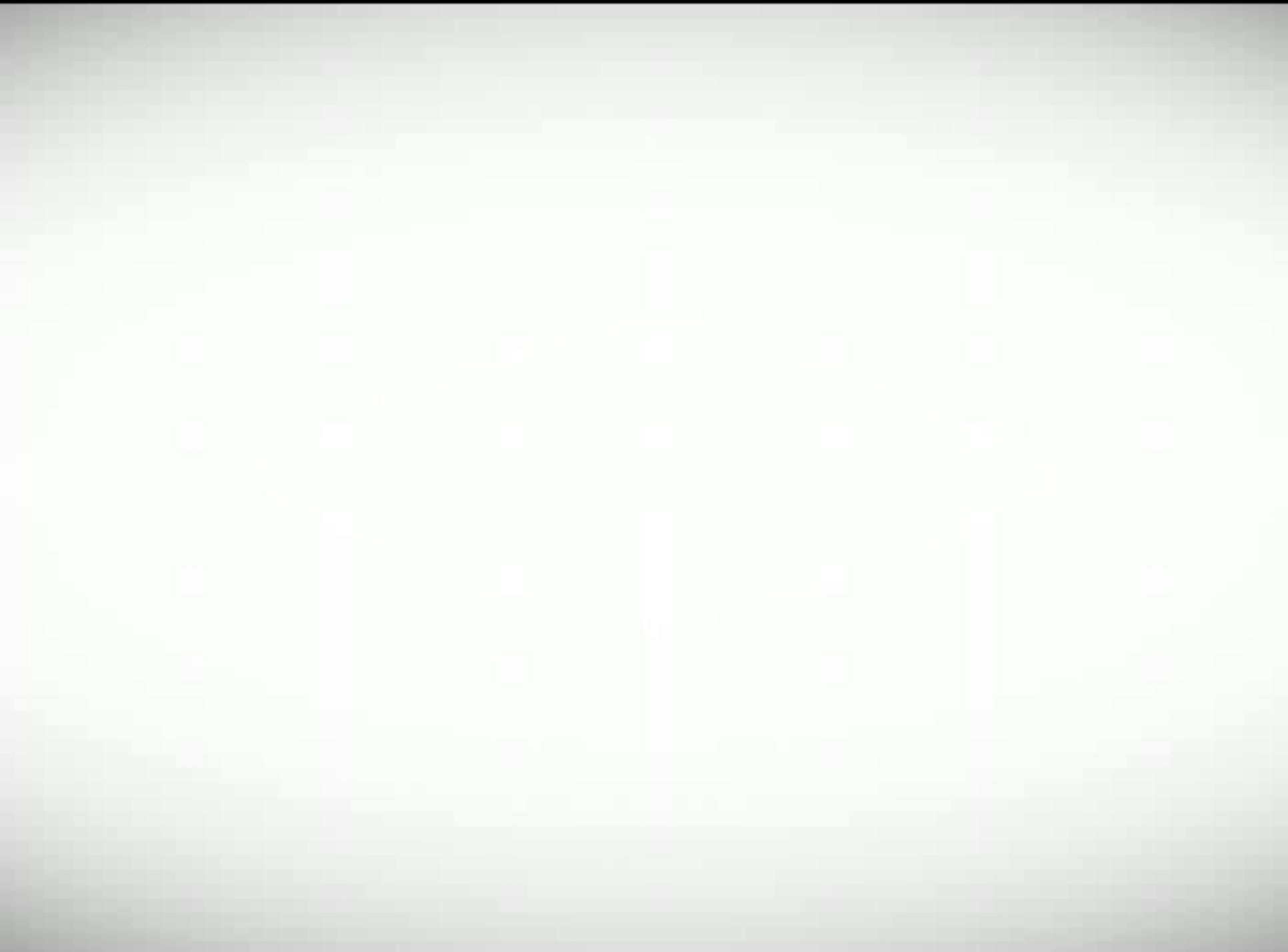
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Welcome to this ACT breakfast briefing: Supply chain finance: realising the potential

Tuesday 17 June 2014



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Supply chain finance: realising the potential

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Chair's opening remarks

Colin Tyler

Chief Executive

ACT



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The importance of supply chain finance

Ana Botín

Chief Executive Officer

Santander UK



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The government perspective

Lex Greensill

Crown Representative and Senior
Advisor

HM Cabinet Office



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Supply chain finance from A to Z

The corporate perspective

Robert Gilhooly

Financial Shared Services Director

EDF Energy

Alastair Russell

Treasury and Insurance Director

EDF Energy

The supplier perspective

David Gallacher

Finance Director

Weir Services



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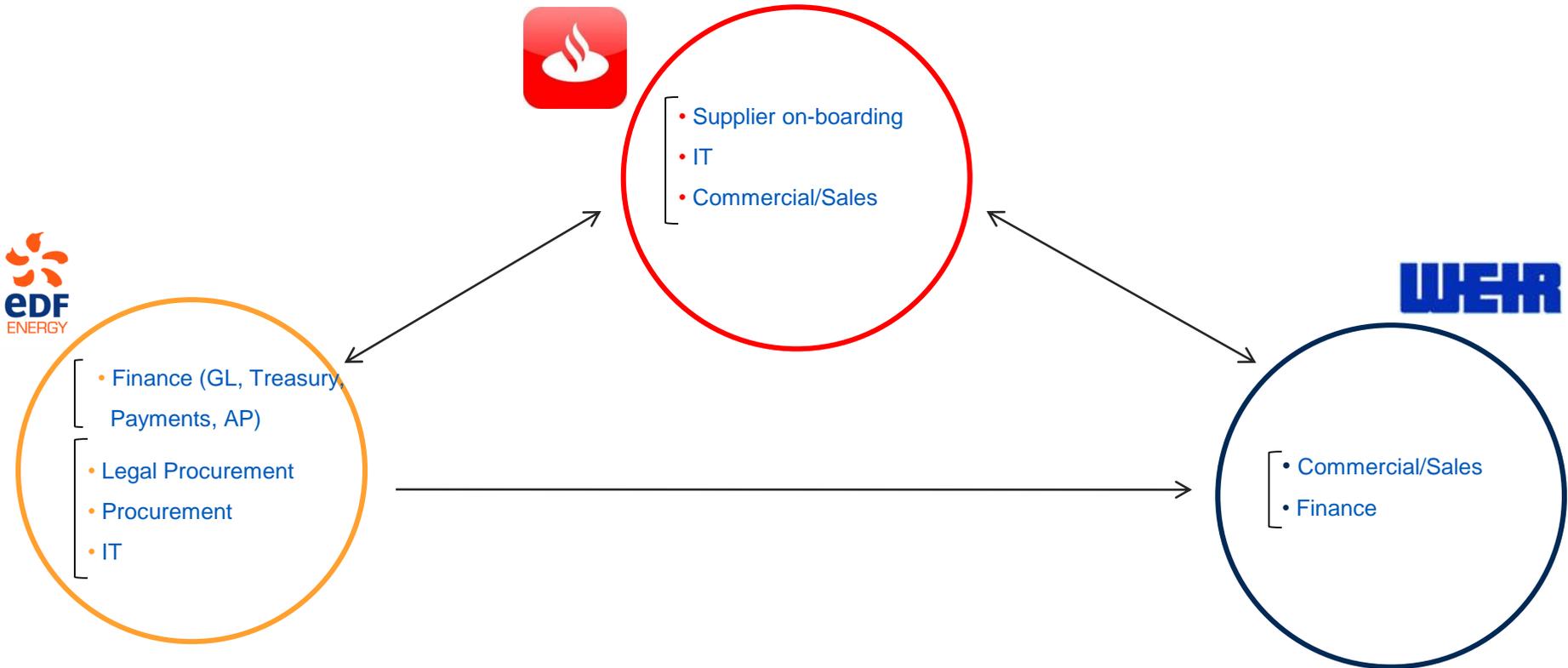
SUPPLY CHAIN FINANCE. “A 360° View”

17th June 2014

Agenda

- **1. Supply Chain Finance: A win-win working capital idea**
 - **Alastair Russell**
Treasury and Insurance Director
EDF Energy
- **2. How to make SCF a reality**
 - **Robert Gilhooly**
Financial Shared Services Director
EDF Energy
- **3. The supplier perspective**
 - **David Gallacher**
Finance Director
Weir Services
- **4. Conclusions and final remarks**
 - **Alastair Russell**
Treasury and Insurance Director
EDF Energy

1 Supply Chain Finance. 360° View



2 EDF Energy. Buyer perspective

... PART OF GLOBAL EDF GROUP.

2.1 EDF Energy. Who are we?

LARGEST ELECTRICITY GENERATOR IN UK...

- One of UK's "**Big 6**" Energy Companies
- We generate **20%** of UK's electricity
- **Largest** generator of **low-carbon** electricity
- Supply gas & electricity to 5.5 million customers

• Main Facts:

- Revenues: **£ 8 Bn.**
- UK Employees: **15,000**
- Assets: **£28 Bn.**



- World's largest Nuclear generator
- One of the largest integrated energy companies in the world with 40 million customers.
- Large presence in France, UK, USA, China etc.

• Main Facts:

- Revenues: €72 Bn.
- Employees: 160,000
- Assets: €256 Bn.

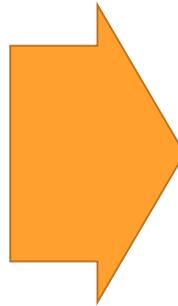


2 SCF. A Win-Win Working Capital Idea.



2.2 Historical view of SCF?

- Perceived complexity
- Transition into new IT systems at EDF



...New Approach. Win-Win Solution

WIN-WIN



- 10 Downing Street
- Working Capital Benefit (terms extension)
- Support supplier base (reduction of funding costs, accelerate funding)

2 SCF. A Win-Win Working Capital Idea.



2.3 EDF Energy's Financial Goals

FIRSTLY

- Support our suppliers and help reduce their cost base (and ours)
- Provide liquidity to SME suppliers at suggestion of HM Government
- Rationalise our payment terms

THEN

- Additional operating cash flow generation
- Parent company goal to reduce funding needs

2 SCF. A Win-Win Working Capital Idea.



2.4 Working Capital in the Energy Utilities Sector

- Economic context
- Competitive environment
- Pressure on margins
- Cash for investment



Greater Working capital Discipline



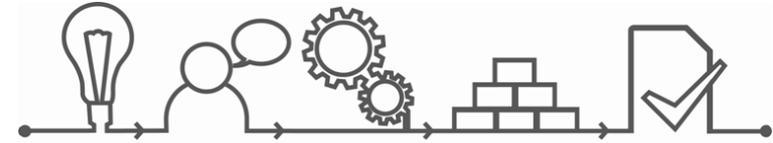
2 SCF. A Win-Win Working Capital Idea.



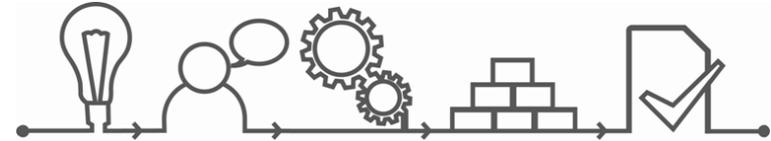
2.5 Making the decision to implement a SCF program

- Government request to support UK business by providing source of finance
- Cost/Benefit analysis in achieving working capital targets.
- Senior management sponsorship
 - CFO, Finance Shared Services, Treasury, Parent Company
- Request for proposal sent to specialist banks in the area.

3 How to make SCF a reality.



3 How to make SCF a reality.

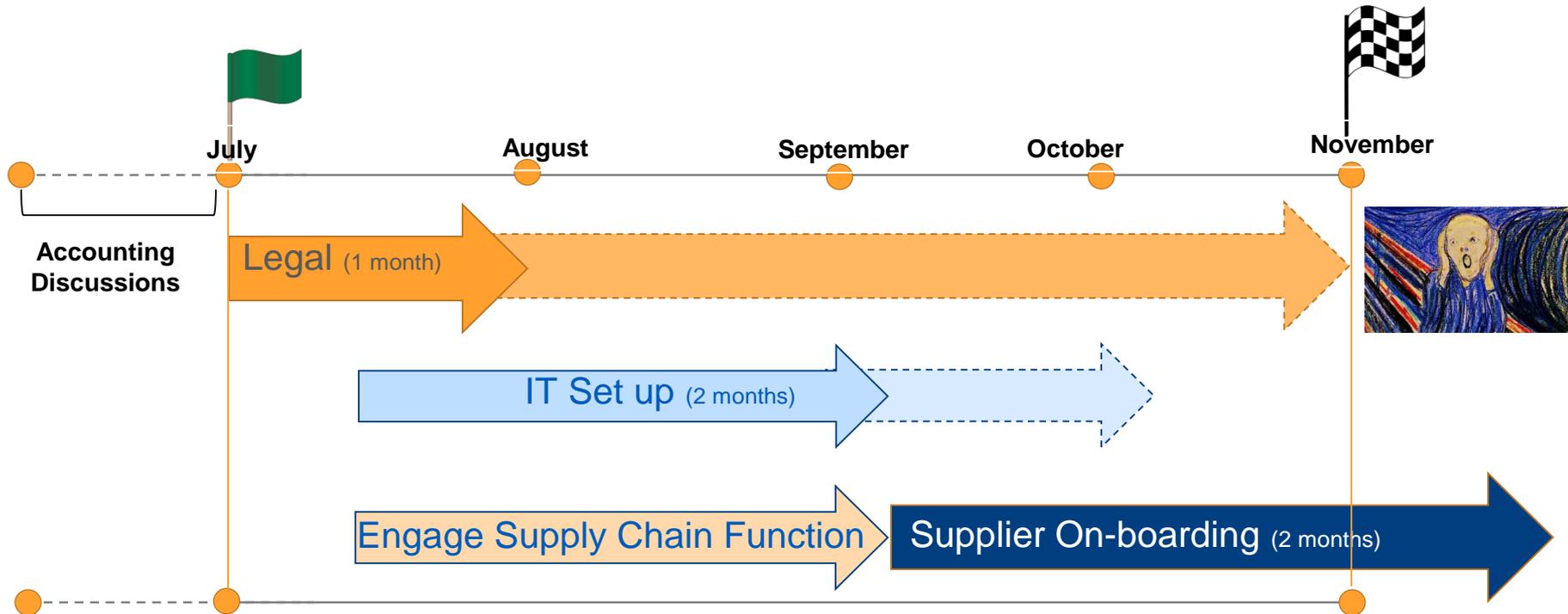
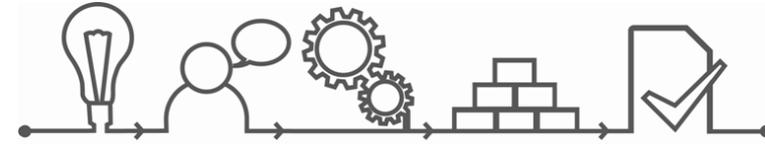


3.1 Initial Challenges

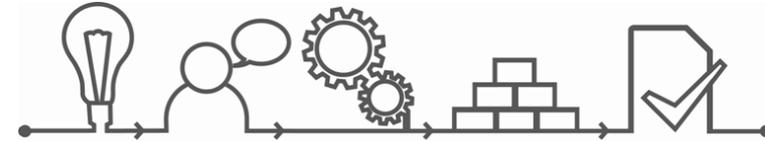
- Identify competitive banks in SCF
- Define EDF's key requirements and timeline
- Delivery of the project within the expected timeline

3 How to make SCF a reality.

3.2 Implementation process



3 How to make SCF a reality.



3.3 Lessons learned

Senior Management Support

- Set and cascade organization's objectives.
- Help to unblock potential problems.

Governance

- Timely review of progress and next steps with your bank.

Project leader with specific objectives

- Allocate tasks within the organization.
- Authority to make decisions.
- Coordinate communication with bank, suppliers and procurement.
- Ensure deadlines are met.

Partnership with Procurement teams

- SCF a useful tool for procurement..
- Finance and bank to assist procurement in financial discussions with suppliers.
- Provide appropriate training.
- Engagement with Key Suppliers and supply base generally.

4 Supplier Perspective

4.1 Weir Engineering. Who are we?

.... Part of Weir Group Plc – FTSE 100 Global Engineering Group focussed on partnerships with our customers.

- Design, manufacturing and supply products and solutions to a wide array of customers mainly in Minerals, Oil & Gas and Power markets.
- Presence in over 70 countries. 1/3 of revenues coming from Emerging Markets in Asia, S. America and Africa.
- Main Facts 2013:
 - Revenues: £2,430M
 - Employees: 15,000+
 - Free cash flow: £168m up 171%



OUR MAIN BUSINESS AREAS.



Minerals



Oil & Gas



Power & Industrial

4 Supplier perspective.

4.2 How was the program introduced to Weir Services?



- Introduced to Finance Director rather than Supply Chain or Treasury
- Who is the right person to contact in the organisation.
- Procurement or treasury team at EDF?
- Terms extension and SCF communication

4 Supplier perspective.



4.3 How was the program perceived by Weir?

- Working Capital impact
- Cost of program vs. cost of financing for Weir
- Ease of on-boarding
- Ease of use.

4 Supplier perspective.



4.4 Pro's and con's

PRO's

- Communication and engagement from EDF
- No system requirement other than Internet
- Flexibility on cash timing
- Low cost versus benefit
- Simple and effective
- Visibility of invoice status
- Time saving (credit control)

CON's

- Extended terms as standard

5 Conclusions and final remarks.

5.1 Status of the program and way forward

- Program pilot completed with about [10] large suppliers.
- Program to be rolled out to supplier wider base from July
- Objective to reach 300 to 500 suppliers.



5 Conclusions and final remarks.

5.2 Selecting the right partner

- Experience is key:
 - Implementation, supplier on-boarding, IT flexibility.
- Ease of on-boarding.
- Marketing resources.
- Ability/willingness to reach small and medium suppliers.





thank you



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Taking supply chain to the next level: a corporate case study

David Niotakis

UK Treasury Director

Tesco



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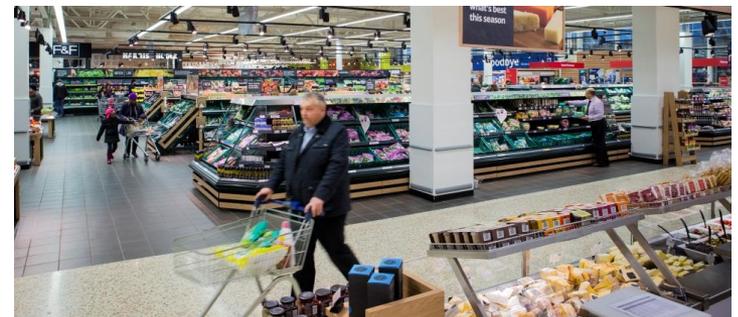
ACT BREAKFAST BRIEFING

Agenda

- Tesco at a glance
- Working capital as a strategic initiative
- Improving supply chains
- SCF in Tesco

Tesco at a glance

- Tesco is the world's second largest retailer by profit
- We operate in 12 markets employing over 500,000 colleagues globally and we are the UK's largest retailer
- The company was founded in London in 1919 and has grown from a single market stall to become a multichannel global retailer
- 6,784 stores globally
- Leading online food retailer in UK



Investing in a strong UK business



The importance of cash

Financial disciplines

Generate positive free cash flow

Allocate capital within range of 4% down to 3.5% of sales

Maintain a strong investment grade credit rating

Guidrails

Trading profit growth

- Mid-single digit

Sustainable ROCE

- 12 - 15% range

Dividend growth

- In line with underlying EPS
- Target cover of more than two times

Improving supply chains

- Everything starts with the customer
- The industry is in transformation
- Tesco must help lead the change
- Strengthening relationships with suppliers
- Better value and better products for customers

- SCF can help facilitate investment into supply chains

Supply chain finance in Tesco

- SCF programmes in 7 countries
- In the UK, the programme was put in place to support suppliers
- Over 100 SMEs actively using the programme
- Taking SCF to the next level
 - Clear objectives
 - Engagement at the right level
 - Linking it to financial guiderails and strategic initiatives
 - Win-win relationships with suppliers



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Panel discussion

Chair

Colin Tyler

Chief Executive, **ACT**

The panel

Alex Farrugia

Head of Supply Chain Finance UK, **Santander**

David Gallacher

Finance Director, **Weir Services**

Robert Gilhooly

Financial Shared Services Director, **EDF Energy**

David Niotakis

UK Treasury Director, **Tesco**



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Chair's closing remarks

Colin Tyler

Chief Executive

ACT



Santander

GLOBAL BANKING & MARKETS



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CONNECTING MINDS

FORTHCOMING EVENTS



ACT Europe Conference
26 June 2014 | Düsseldorf

**ACT Middle East
Annual Conference**
27-28 October 2014 | Dubai

ACT Northern Conference
2 July 2014 | Leeds

ACT Annual Dinner
12 November 2014 | London



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**Thank you for attending this
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**Please return your feedback
form to an ACT staff member**

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