



LEADING TREASURY
PROFESSIONALS

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

Tuesday 17 June 2014



@actupdate
#ACTSCF





LEADING TREASURY
PROFESSIONALS

Supply chain finance: realising the potential

Tuesday 17 June 2014



@actupdate
#ACTSCF



LEADING TREASURY
PROFESSIONALS

Chair's opening remarks

Colin Tyler

Chief Executive

ACT



Santander

GLOBAL BANKING & MARKETS



@actupdate
#ACTSCF



LEADING TREASURY
PROFESSIONALS

**Follow us on Twitter and join
in the discussion**



@actupdate

#ACTSCF



LEADING TREASURY
PROFESSIONALS

The importance of supply chain finance

Ana Botín

Chief Executive Officer

Santander UK



Santander

GLOBAL BANKING & MARKETS



@actupdate
#ACTSCF



LEADING TREASURY
PROFESSIONALS

Supply chain finance: realising the potential

Tuesday 17 June 2014



@actupdate
#ACTSCF



LEADING TREASURY
PROFESSIONALS

The government perspective

Lex Greensill

Crown Representative and Senior
Advisor

HM Cabinet Office



Santander

GLOBAL BANKING & MARKETS



@actupdate
#ACTSCF



LEADING TREASURY
PROFESSIONALS

Supply chain finance: realising the potential

Tuesday 17 June 2014



@actupdate
#ACTSCF



LEADING TREASURY
PROFESSIONALS

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



Santander

GLOBAL BANKING & MARKETS



@actupdate
#ACTSCF



LEADING TREASURY
PROFESSIONALS

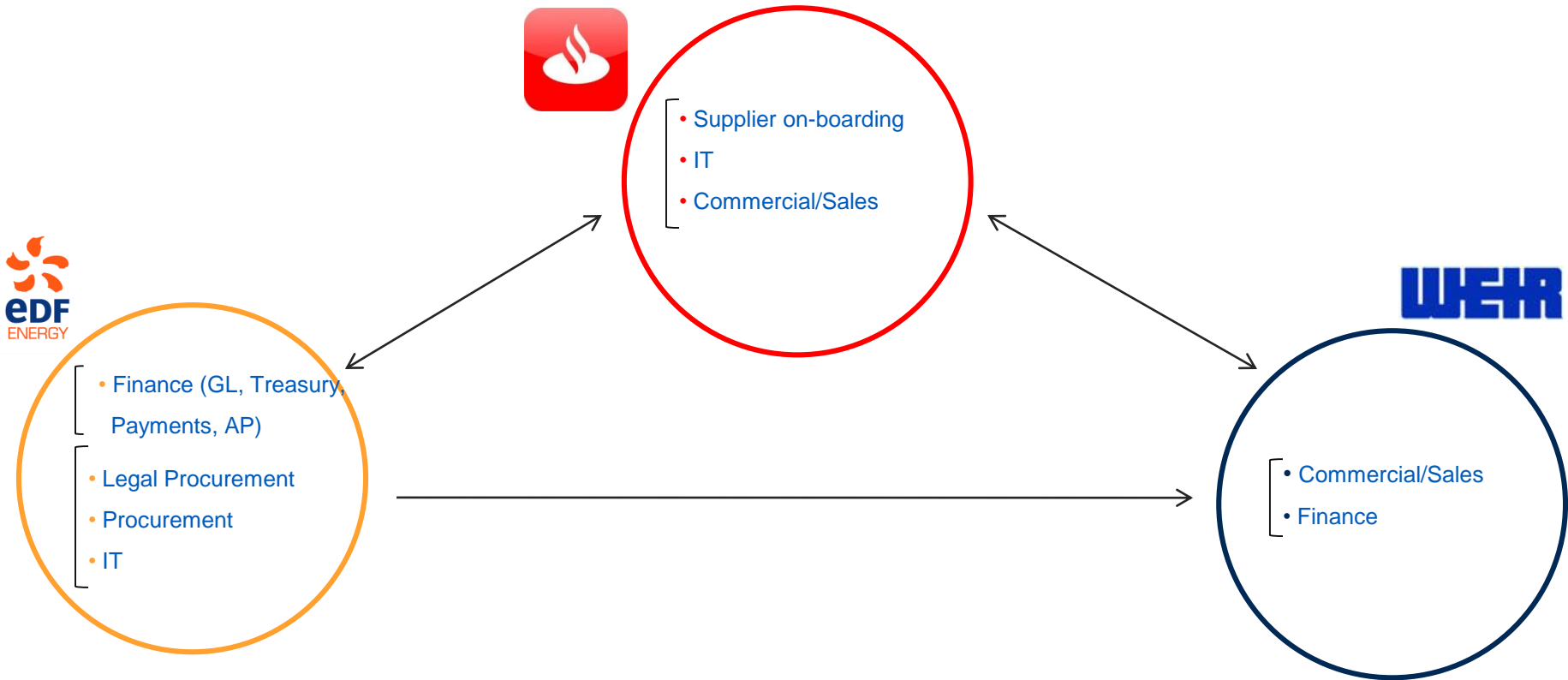
SUPPLY CHAIN FINANCE. “A 360° View”

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



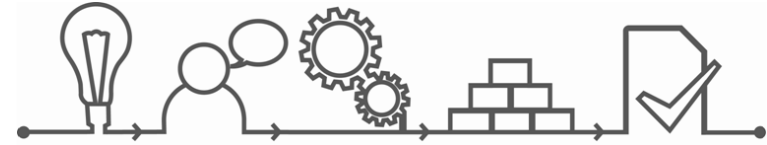
2 SCF. A Win-Win Working Capital Idea.



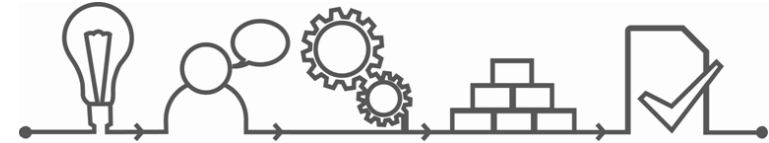
2.5 Making the decision to implement a SCF program

- 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.

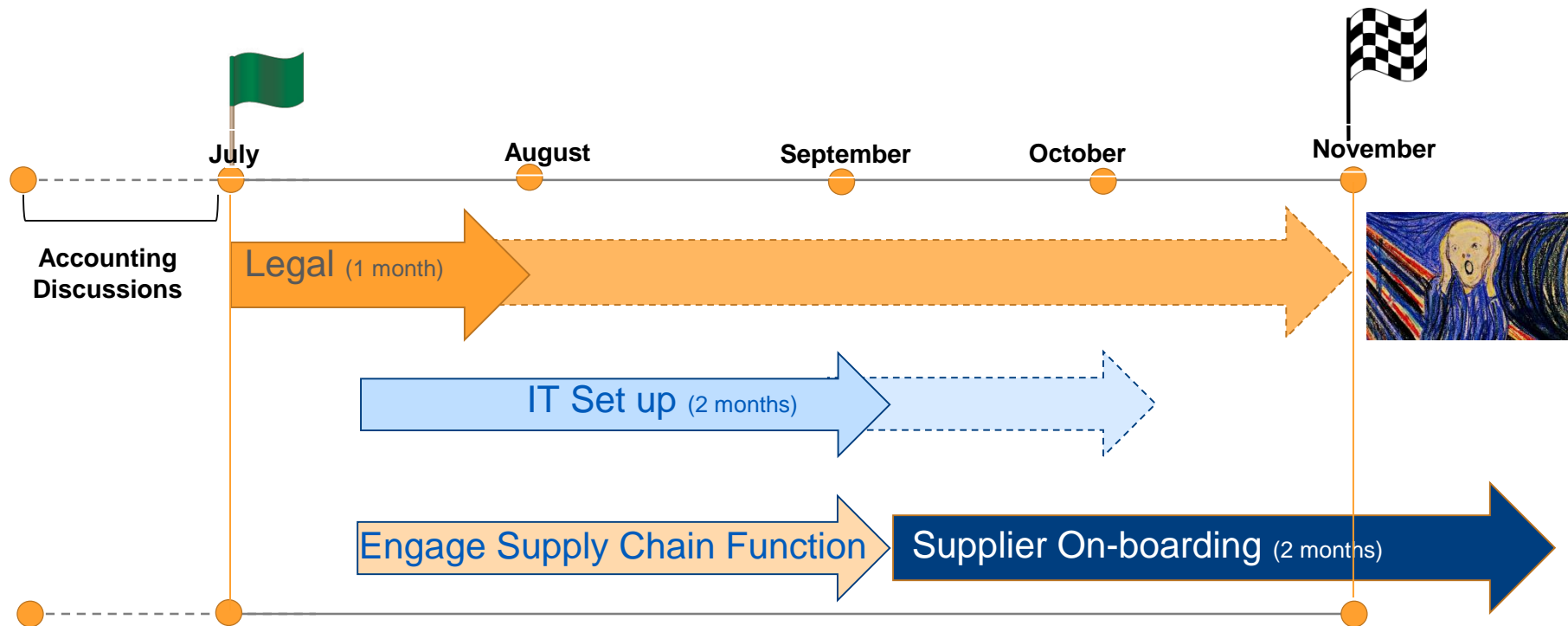
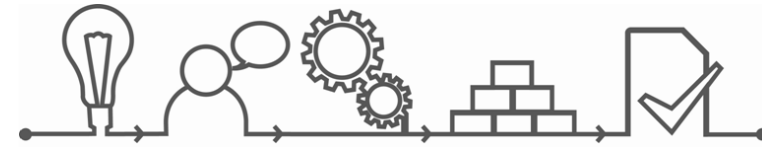


3.1 Initial Challenges

- 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



LEADING TREASURY
PROFESSIONALS

Supply chain finance: realising the potential

Tuesday 17 June 2014



@actupdate
#ACTSCF



LEADING TREASURY
PROFESSIONALS

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

David Niotakis

UK Treasury Director

Tesco



Santander

GLOBAL BANKING & MARKETS



@actupdate
#ACTSCF



LEADING TREASURY
PROFESSIONALS

Supply chain finance: realising the potential

Tuesday 17 June 2014



@actupdate
#ACTSCF

17 June 2014

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



LEADING TREASURY
PROFESSIONALS

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**



LEADING TREASURY
PROFESSIONALS

Supply chain finance: realising the potential

Tuesday 17 June 2014



@actupdate
#ACTSCF



LEADING TREASURY
PROFESSIONALS

Chair's closing remarks

Colin Tyler

Chief Executive

ACT



Santander

GLOBAL BANKING & MARKETS



@actupdate
#ACTSCF



LEADING TREASURY
PROFESSIONALS

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



LEADING TREASURY
PROFESSIONALS

**Thank you for attending this
ACT breakfast briefing**

**Please return your feedback
form to an ACT staff member**

Tuesday 17 June 2014



@actupdate
#ACTSCF