

working capital intelligence

turning to cash fast to flow lifeblood into the business

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Session Objectives

Discussion Points:

- ▶ supplier finance – does it ease the need for liquidity access across the supply chain?
- ▶ invoice discounting – what is the added value to the treasurer?
- ▶ the role of pool financing and eligible invoices in the efficient management of liquidity

Treasurer's challenges

Your success is driven and measured along these common parameters.



Treasurer's focus – An optimum solution

Critical to entity:-

- ▶ Do you have cash to invest?
- ▶ Do you run ODs on your accounts
- ▶ What are your investment goals / objectives?
- ▶ Does your company have an investment policy/ guidelines?
- ▶ What are you currently investing in?
- ▶ What is the nature of your cash flow?
- ▶ Do you have move your funds cross border ?
- ▶ Do you have JV/Group companies within your structure

Liquidity Management:-

- ▶ Would automation of funds sweeps make your life easier?
- ▶ Would an integrated Liquidity Management solution increase efficiencies and help reduce your costs?
- ▶ What could you do with the additional interest you received?
- ▶ How would your company benefit from centralization of control?
- ▶ How would you benefit from a central view on your local positions?
- ▶ Would a single currency position across the region enhance your yields?
- ▶ Would automated percolation of regional funds help you manage your regional working capital?

Management of cash:-

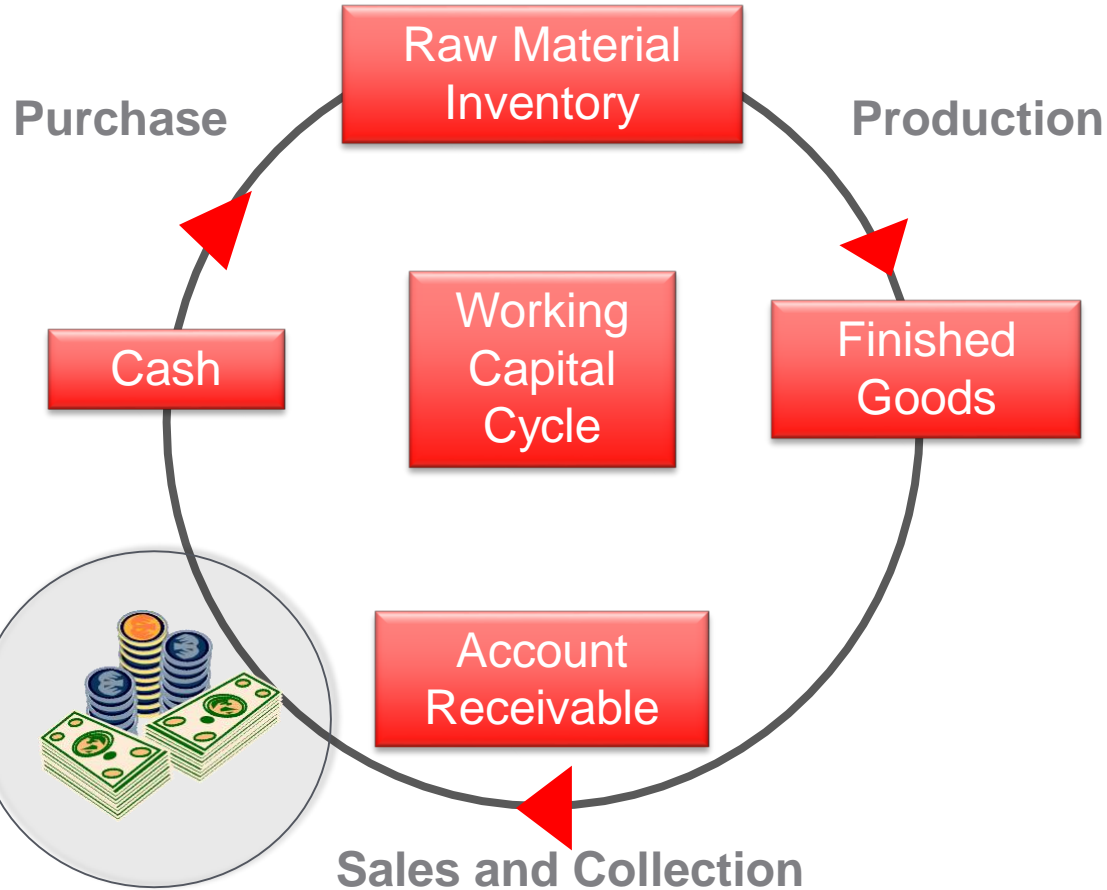
- ▶ Do you have difficulty in finding tracking how much cash you have and where it is at any time?
- ▶ Do you find you have excess cash which is un-invested late in the day?
- ▶ Do you feel you have the right level of expertise in-house to attract the best yields from your excess balances?
- ▶ Are your bank accounts efficiently maintained from Bank fees?
- ▶ Are you paying OD fees in some locations while having excess cash elsewhere in your group?

Improving performance:-

- ▶ What is the implication on your returns of having idle balances in many accounts?
- ▶ What is the implication to your costs of having multiple accounts with multiple banks across multiple countries?
- ▶ Is there an impact to your risk profile and rewards of your investments with the current liquidity structure?
- ▶ Does the inaccuracy of your liquidity management impact your Return on capital?
- ▶ Is your company's rating impacted by the difficulty you have managing your liquidity.

Typical Working Capital

If companies can get this right, some €0.9tn – €1.4tn can be released globally



Working Capital Cycle* [in days]

= [equals]

Average Stockholding Period

+ [plus]

Average Receivables
Processing Period

- [minus]

Average Payables
Processing Period

Supplier Finance

Supplier finance is a set of solutions that optimizes cash flow by allowing businesses to lengthen their payment terms to their suppliers while providing the option for their large and SME suppliers to get paid early

- ▶ Pre-agreed financing arrangement with a financial institution
- ▶ Helps the buyer to elongate their days payable outstanding and hence reduce their cash conversion cycle
- ▶ Normally cheaper financing than any bi-lateral arrangement
- ▶ *Helps both supplier and buyer manage their liquidity efficiently and also share costs as per mutual agreement*



**Our Financing Partner
Finances Seller upto
Invoice Value**

Invoice Financing

Invoice financing is a short tenor working capital financing transaction with an average tenor of 90 to 180 days.

Invoice financing can be of various types:

- ▶ Purchase Invoice Financing (for buyer)
- ▶ Sales Invoice Financing (for seller)
- ▶ Proforma Invoice / PO Financing – (for buyer)



Released cash into working capital cycle; however tenor needs to be appropriate as per buyer payment behaviour

To make it efficient for a treasurer invoice financing needs to be combined with collection services and sales ledger management

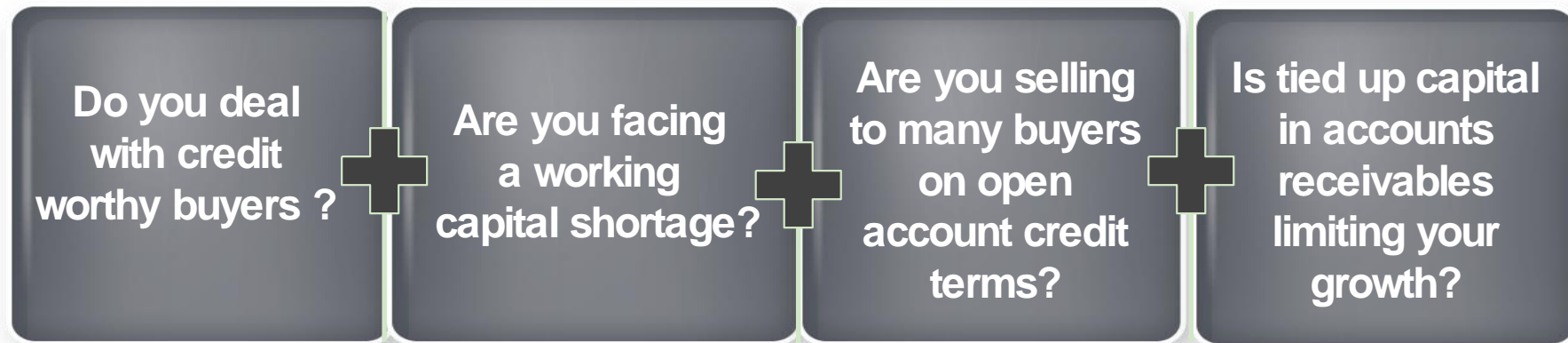
Receivables Financing – Pool financing of invoices

Receivable financing differs from a bank loan in three main ways:

- ▶ The emphasis is more on the quality of the receivables (essentially a financial asset), than the company's credit worthiness.
- ▶ Invoices are pooled and financed based on the entire pool rather than individual invoices. Pool criteria and financing criteria is pre-agreed.
- ▶ Borrowing based on cash flow requirement and hence cost efficient.



The right solution...



If the answer to any of these questions is a **YES**...

Supplier Finance / Invoice discounting
could help release cash into the business

Thank You

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