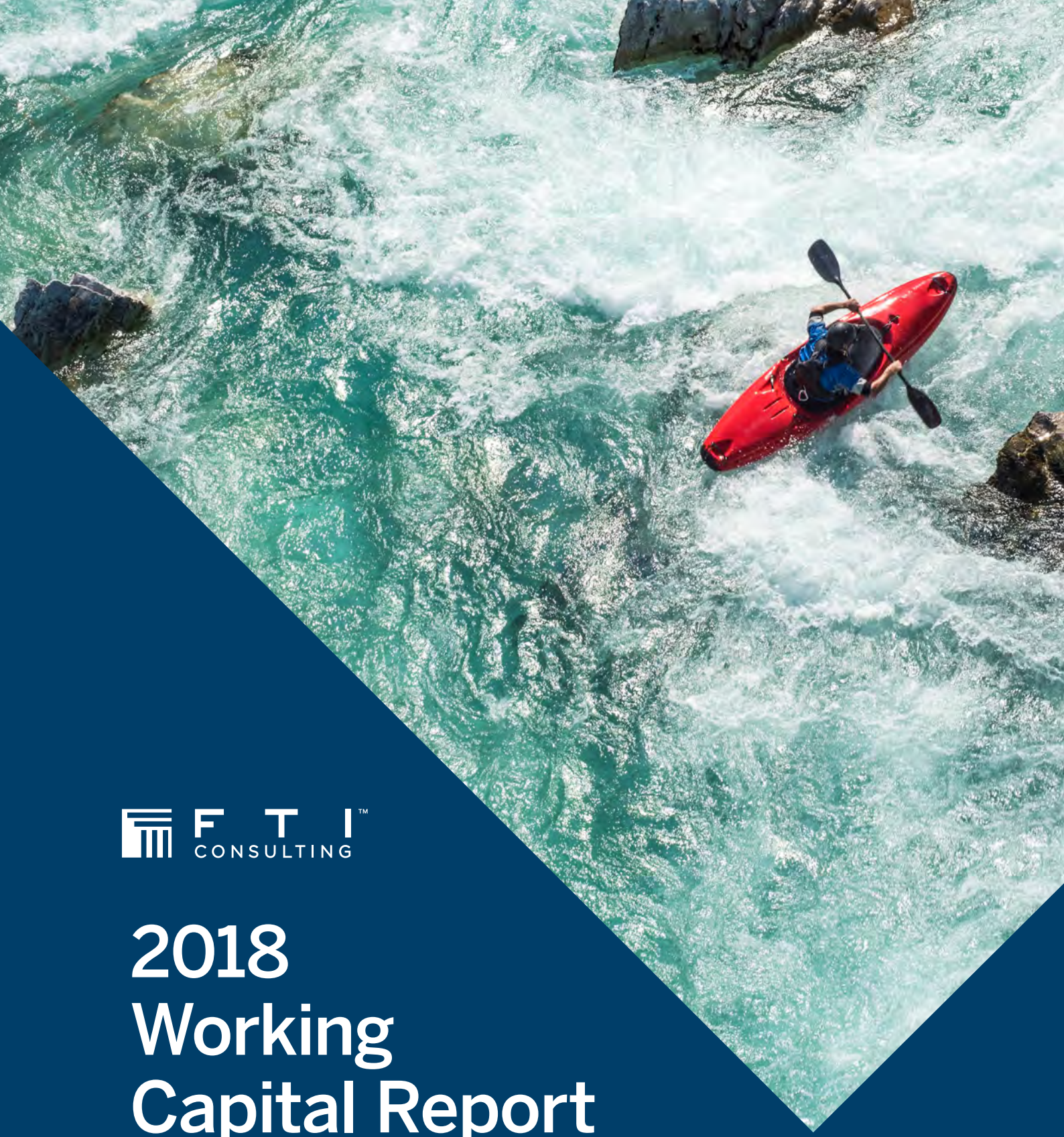


FTI CONSULTING™

2018 Working Capital Report

ANOTHER YEAR OF UNCALCULATED RISK

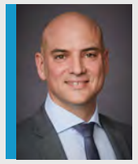
IN PARTNERSHIP WITH

Greensill

Contents

FTI CONSULTING™

Executive summary



Jonas Schofer
Managing Director
FTI Consulting

As Australians, we pride ourselves on being hard to scare. We might share the country with many of the world's most poisonous and dangerous animals, but we don't let fear hold us back.

In business too, Australians don't shy away from a challenge. Our largest industries – retail, mining and construction – were mostly built on big bets. However, each leap of success was taken with calculated risks. FTI Consulting's 2018 working capital survey suggests something different is happening now. Business leaders are still taking risks, but our analysis of the top 500 Australian companies suggests that many are handling their working capital in a way that is leaving them increasingly exposed and vulnerable.

As you read through our report, we believe that four points are worth highlighting:

- In the past year alone, Australia's top 500 companies added $3 billion to their net working capital. Overall, working capital performance declined by 4% over the last five years.
- Debt increased by $1.5 billion in FY2018. Among the companies reviewed, this amounts to an all-time high of $307 billion.
- In all, Australian businesses have $34.3 billion needlessly locked up in working capital. That is, money tied up in too much inventory and low debtors, or paid out to suppliers too early instead of being put to productive use.
- Companies are hoarding cash and reduce investment further down to 7% of revenues

With interest rates still at historic lows and most industries performing strongly, it's easy to understand why many companies aren't particularly focused on their working capital right now. But a number of factors suggest it's a good time to take a more disciplined approach.

On the global stage, the prospect of rising interest rates, US-China trade wars, Brexit and oil price volatility are all causes for concern. Closer to home, consumer-focused businesses in particular may want to keep a closer eye on their working capital accounts. Between falling house prices, the expansion of Amazon, and the growing power of artificial intelligence, the risk of your company facing a downturn, or even a major disruption, continues to grow. If something unexpected does occur, an extra $34.3 billion will come in handy.

Lex Greensill
Chief Executive
Greensill

More than $3.5 trillion of cash is locked up in working capital around the world at any one time in what is perhaps one of the greatest inefficiencies to perplex chief financial officers, accountants and treasurers in commercial history.

That huge pile of cash, caught in a deep and complex web of supply chains between buyers and sellers, is also one of commercial history's greatest misnomers for this working capital isn't working at all.

Greensill believes companies will increasingly use technology to unlock capital so they can put it to work and reduce the need for traditional borrowing and today, as goods move around the world, value is added in stages, with finance coming in on each leg of that journey. Innovations such as 3D printing, the Internet of Things (IoT), automated vehicles, blockchain and drones will change how we make and deliver goods and services. Supply chain finance will be just as important.

Greensill is working with the view that you no longer need to finance the delivery of an asset—be it physical or a service. Technology will predict that you are going to receive an order for that asset, work out when you will deliver it and when your customer will pay, and let you have the money upfront so you can finance the work.

Key findings

THE BAD NEWS

- × Working capital performance continued to decline in 2018. This year, the total Australian net working capital expanded to an all-time high of $52.6b.
- × Since FY13, the top 500 Australian companies have pumped an additional $6.3b cash into their working capital. Funding this increase added another $1.5b to corporate debt in FY18 alone, a total of $307b.
- × Of the 500 companies in the survey, 207 companies across nine industries suffered a decline in working capital performance in FY18. Consumer durables and apparel businesses added 14 days to their working capital, while retailing overall gained three days.
- × Midcaps had a particularly hard time competing, and now operate on 49% higher net working capital days than large companies.
- × CAPEX stayed low this year. Only 7% of revenues were invested, a little more than half of what they were five years ago.

THE GOOD NEWS

- ✓ Despite significant weaknesses, Australian companies have kept up with the global average when it comes to working capital management.
- ✓ In fact, 293 of the 500 companies surveyed improved their working capital performance, with most belonging to nine of the 18 industries surveyed. Two sectors were particularly outstanding: materials net working capital dropped seven days while transportation fell by 16 days.
- ✓ 'Improvers' focused mostly on inventory management (82% improved DIO). At the same time, 50% improved their creditors' (DPO) performance and 50% improved their debtors' (DSO) performance.
- ✓ More companies are supporting their small business supplier base with early payment policies, while utilising fintech partners to maximise terms with corporate suppliers and while offering early settlement options.
- ✓ Australian companies could save $34.3b – roughly the value of Rio Tinto or the ANZ Banking Group – if they tightened their working capital management practices. Simply by improving their operations, using the right financial software, and building a cash-focused organisation, companies would have a new source of free cash.

Method - how to calculate working capital performance

This study provides a view of Australia's working capital performance and is based on the research of the 500 largest privately owned and ASX listed companies. The financial services, banking, real estate and insurance sectors have been excluded.

METRIC		BASIS OF CALCULATION
DWC **Days working capital**	DWC is a measure of how many days worth of sales revenue a company has cash tied up in its balance sheet; in the form of inventory, accounts payable and accounts receivable.	(Accounts receivable + inventories – accounts payable)/sales x 365
DSO **Days sales outstanding**	DSO is a measure of the average number of days that a company takes to collect cash after the sale of goods or services have been delivered.	Accounts receivable/sales x 365
DIO **Days inventories on-hand**	DIO gives an idea of how long it takes for a company to convert its inventory into sales. Generally, the lower (shorter) the DIO, the better.	Inventories/cost of goods sold x 365
DPO **Days payables outstanding**	DPO is an indicator of how long a company takes to pay its trade creditors.	Accounts payable/cost of goods sold x 365
EBITDA margin **Earnings before interest, taxes, depreciation and amortisation**	EBITDA margin is an indicator of a company's profitability level as a proportion of its revenue.	EBITDA/sales

Australia's working capital performance sags

Australian companies built up more working capital and deteriorated in overall working capital performance.

$6.3b

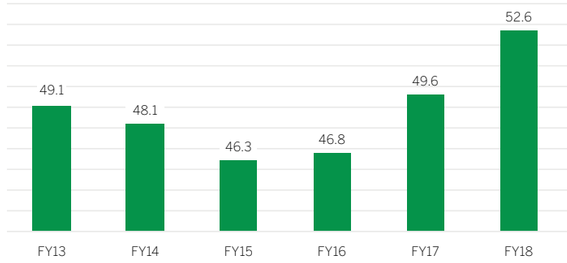
in additional cash has been tied up since June 2015.

Australian companies have demonstrated a significant increase in net working capital over the past two years. The 500 companies in our survey have consumed $3b in the past financial year alone to fund their expanding working capital. In all, **$6.3b in additional cash has been tied up since June 2015.**

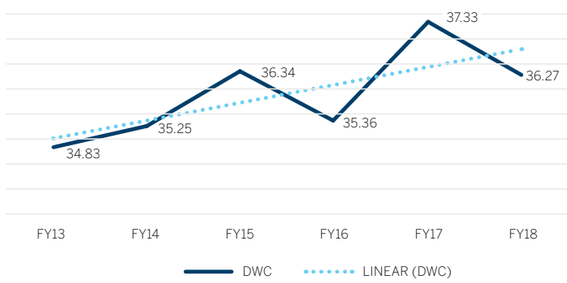
In many cases, larger net working capital is a function of company growth. The larger a company becomes, the more inventory it needs, the more invoices it sends out to more and bigger clients. Typically, this can only be partly offset with payables growth. **Unless the company improves its processes, net working capital increases and consumes more cash.** However, even factoring in revenue growth, we can see that working capital performance has deteriorated since FY13. Using 'days working capital' (DWC) as a measure, we see a long-term trend of performance deterioration among Australian companies.

In FY18, DWC reduced slightly to 36.3 days, but remained in line with the long term trend. In other words, the number of days it takes to convert sales into cash has grown. In general, we have seen a 4% deterioration in overall working capital performance over the past five years.

TOTAL NET WORKING CAPITAL [$b]



AVERAGE DAYS WORKING CAPITAL

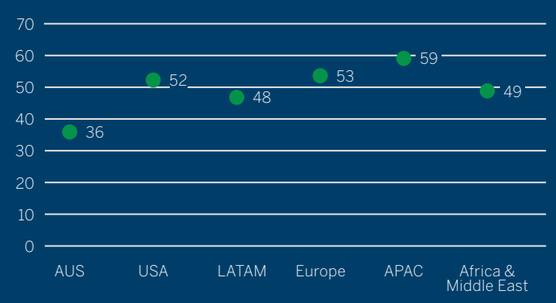


Not all is bleak - Australian companies are keeping up with global competition

Although there is a lot of room for improvement in Australian working capital practices, it's worth keeping in mind that no market has a clear lead in treating working capital in a strategic way. Few companies anywhere in the world have been able to maintain superior working capital performance for long.

Regionally, too, there are important differences. For example, in Asian markets, collection times tend to be significantly longer. From an Australian perspective, this means that exporters require more working capital to fund their overseas business. Historically, supplier payment terms have also been longer than in Australia, but Australian companies have caught up in recent years.

DAYS WORKING CAPITAL COMPARISON GLOBALLY



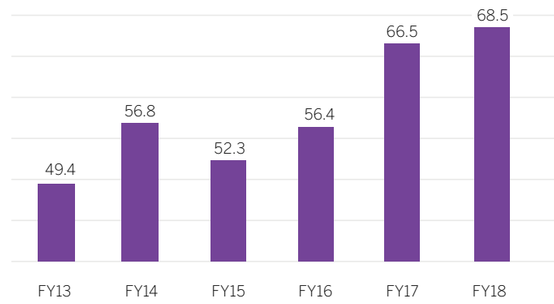
Borrowing money to hoard cash - is this good business?

Companies have hoarded $19b in cash over the past five years...

In addition to tying up more cash in their working capital, **Australian companies now hold more cash than ever before.** Their reserve amounts to an extra $19.2b, built up over the past five years. In FY18, an extra $2.0b was added to the pile.

While of course 'cash is king', cash left in a bank in this low interest environment is more like a jester – present at the court but not actually doing anything useful. Instead, **smart companies are looking for project investments, share buybacks, extra dividends, and M&A opportunities.** Others have decided to invest their cash into their own supply chain, by using self-funded supply chain finance or dynamic discounting solutions with their suppliers. (See our section on supply chain finance).

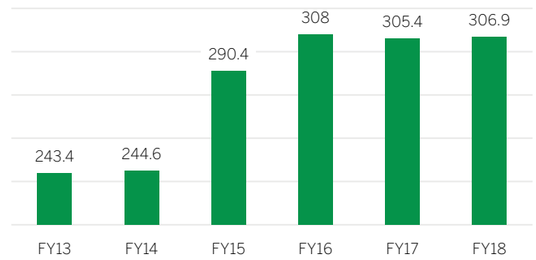
TOTAL CASH [$b]



...which they financed by taking on $63.5b in debt.

But Australia's $19.2b cash hoard, built up by taking on more debt, actually exposes corporates to significant risks should interest rates rise. Over the past five years, Australian companies have racked up an extra $63.5b of debt. The total obligations outstanding are now $307b across all surveyed companies. With that much debt, every 50 basis point increase will weigh down Australian corporate cash flow and dividends by $1.5b in additional interest payments.

TOTAL DEBT [$b]



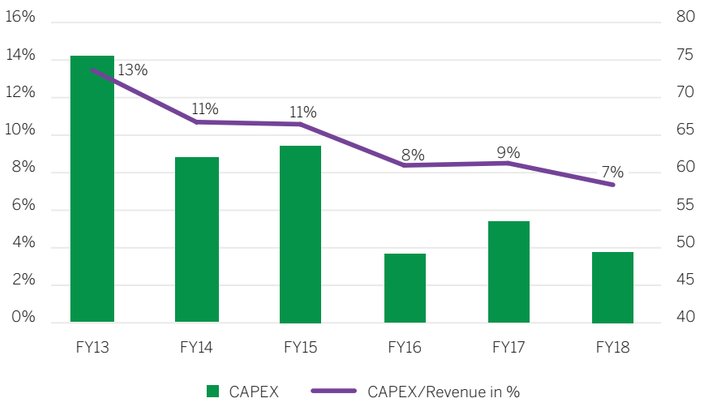
Ironically, some companies don't have strategic or even tactical plans to leverage this cash

To an extent, the cash build-up reflects a collective failure to find new opportunities for investment. Capex has almost fallen by half over the past five years, and now sits at around 7%.

Ultimately, reducing capex will have negative implications on the future revenue and profitability of Australian companies. Whether it suggests a lack of investment opportunities in Australia, the ongoing resources price depression, or a stifling of investments in the energy sector due to a lack of guidance by state and federal governments on energy policy, investors are likely to read it as a failure of imagination.

Unless this trend is reversed soon, the Australian economy faces the risk of a serious downturn. Hoarding cash or allowing working capital to grow out of bounds offer short-term tactical solutions to current problems, but they are not efficient uses of corporate capital. Sooner or later shareholders will demand action.

TOTAL CAPEX AND CAPEX/REVENUE IN % [$b]



Focus industries

Retail, mining and construction

Only one of the major industries in Australia saw improvements in working capital performance.

	DWC	DWC change	DSO	DSO change	DIO	DIO change	DPO	DPO change
RETAILING	34	+3	8	+-0	95	+-0	46	+1
MINING & METALS	37	+2	15	+2	65	-3	45	+3
CONSTRUCTION, ENGINEERING, DEFENCE	40	-2	56	-6	26	-10	47	+2

Retail's net working capital has deteriorated by 3 days. The progress in inventory reduction was offset by a deterioration in debtors and creditors.

Mining & metals has deteriorated marginally by one day despite significant increases in supplier payment duration. The low ratio of third-party expenditures to total costs of goods sold counterbalanced the impact of a lengthening of customer collection times.

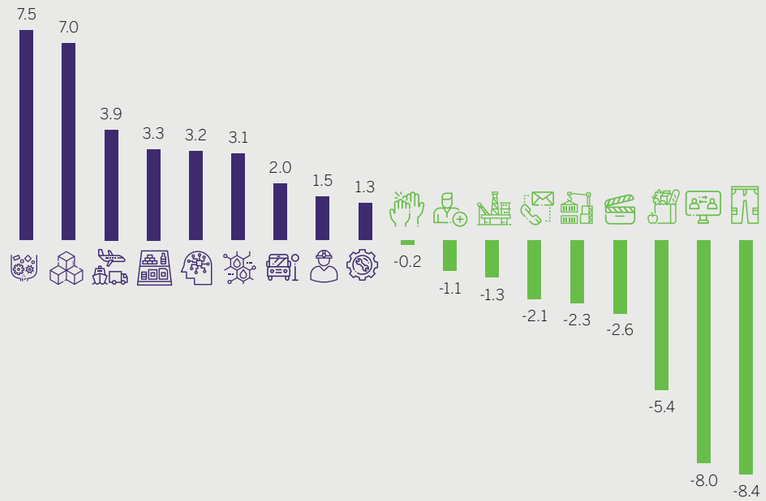
The **construction and engineering** projects sector improved two whole days, driven by improvements across all three areas of the working capital.

Nine out of 18 industries have deteriorated in working capital performance

Most industries have their own peculiarities when it comes to dealing with creditors and debtors too. Inventories, meanwhile, typically follow the practices of particular geographical footprints. Yet the opportunities to make gains through improved inventory and supply chain management should not be underestimated. In most cases, working capital optimisation is a question of operational organisation and managerial will, not market power.

The value of individual commitment can also be seen when looking at the nine sectors where companies have improved their working capital performance. Technology hardware and equipment are up by 7.5 days, materials have risen by 7 days, followed by transportation deteriorating by 3 days. Consumer durables and apparel have reduced the strongest by 8.4 days, followed by commercial and professional services by 8 days and food, beverage and tobaccos with 5.4 days improvement.

DAYS WORKING CAPITAL CHANGE FY17 - FY18
[DAYS, NEGATIVE REPRESENTS IMPROVEMENT]



DETERIORATING INDUSTRIES

+7.5	Technology, hardware and equipment
+7.0	Materials (chemicals, construction, other)
+3.9	Transportation
+3.3	Retailing
+3.2	Software and services
+3.1	Pharmaceuticals, biotechnology and life
+2.0	Automobiles and components
+1.5	Metals and mining
+1.3	Utilities

IMPROVING INDUSTRIES

-0.2	Consumer services
-1.1	Health care equipment and services
-1.3	Integrated oil, gas & consumable fuels
-2.1	Telecommunication services
-2.3	Construction, engineering, defence
-2.6	Media and entertainment
-5.4	Food beverage and tobacco
-8.0	Commercial and professional services
-8.4	Consumer durables and apparel

Benchmark your working capital - how do you compare?

Use the results from our study to benchmark your company's performance.

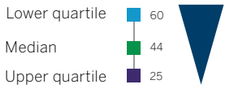
Net working capital days by industry shows vast gaps between the leaders and laggards – which means significant cash opportunities for those companies determined to catch up.

While we have seen that on average Australian companies perform well in international comparisons, the industry-specific benchmark shows a large spread of performance within each industry. The companies below the upper quartile and particularly below median have a significant opportunity to trigger a meaningful cash release.

So, where do you stand? Contact us for a complimentary benchmark of your company's performance.

DAYS WORKING CAPITAL BY INDUSTRY

OPPORTUNITY SIZE



How do you compare?

1. Creditors or payables

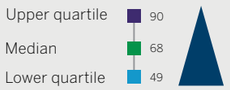
Do you know your days payable outstanding (that is, your creditor days or weighted average payment terms)? To calculate your DPO (your creditor position), take your creditors position, divide by annual cost of goods sold, and multiply by 365.

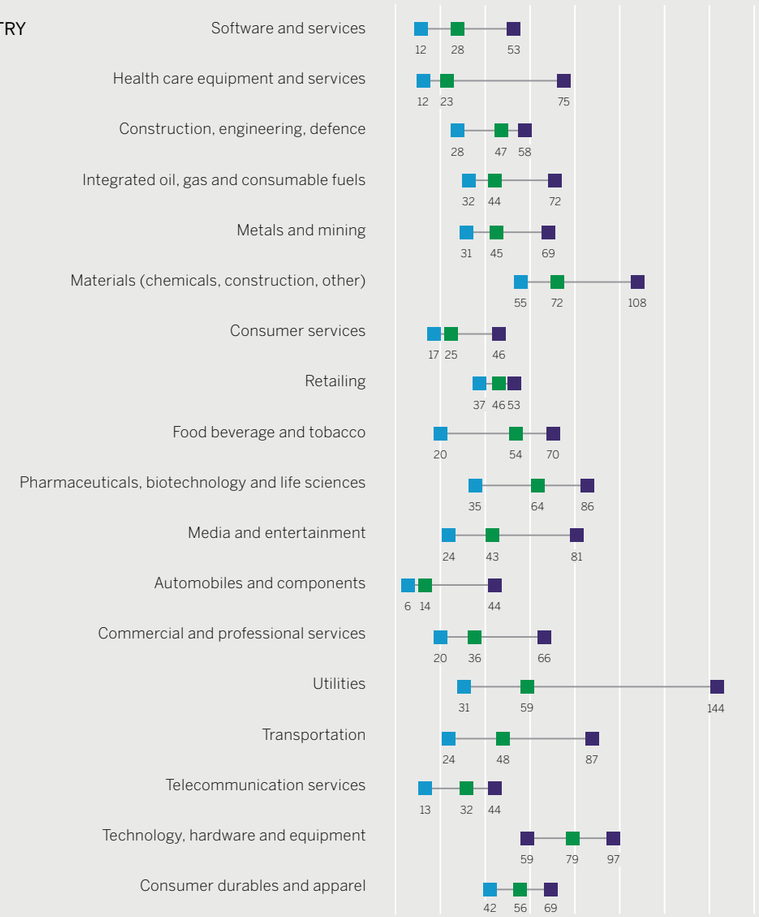
Bigger is better in DPO – and it's easy to compare your company's performance to the benchmark:

Bigger is better.

DAYS PAYABLES OUTSTANDING BY INDUSTRY

OPPORTUNITY SIZE





Secrets of the top performers

10 out of 17 industries improved terms with suppliers to delay cash leaving the company, likely through the increased use of reverse factoring or supply chain finance to help the supplier base at the same time with early access to cash.

Do you want to know more about how to calculate your opportunities in cashflow and EBIT through creditor improvement, or assess the impact of and develop a small business payments policy? To learn more about the implementation steps of supply chain finance, or how to assess whether your processes can support a successful supply chain finance program, please reach out to us, we can help get you back on track.

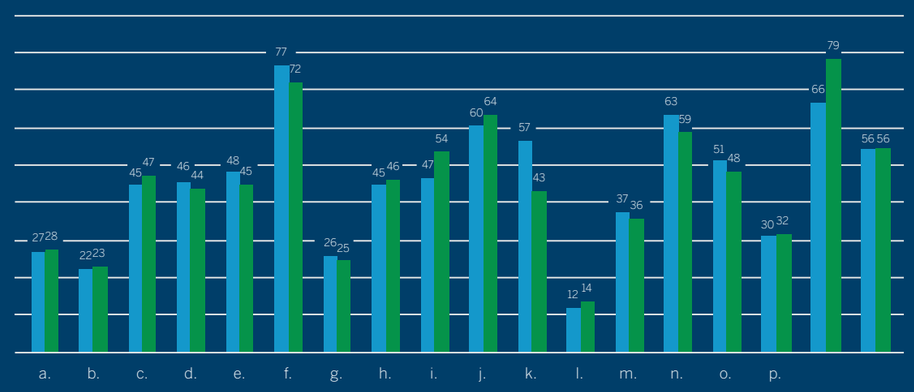
The traditional working capital strategy of top performers is to extend the time they take to pay their suppliers.

We often see this achieved by large players in the market with strong market power. They typically conducted one-sided "my way or the highway" negotiations that led to rigid application of standard terms.

Recently companies have become savvier in how they achieve their goal of working capital reduction. An increasing number now offer their suppliers flexible payment regimes, also known as 'reverse factoring' or 'supply chain finance,' which give their suppliers an early settlement of invoices against a discount. Corporates should consider this in particular when considering a small business payments strategy.

These offerings have been around in the US and EU for decades but not in Australia. Adoption in 2018 significantly increased as several fintechs brought their offerings to Australian shores. While all the major banks offer such solutions, leading corporations should also consider non-bank funders as well, particularly those with cutting-edge technology platforms whose capabilities typically exceed the often-limited offerings of the incumbents. To learn more, see our section on supply chain finance.

CHANGE IN DAYS PAYABLE OUTSTANDING BY INDUSTRY



a. Software and services
b. Health care equipment and services
c. Construction, engineering, defence
d. Integrated oil, gas and consumable fuels
e. Metals and mining
f. Materials (chemicals, construction, other)
g. Consumer services
h. Retailing
i. Food beverage and tobacco
j. Pharmaceuticals, biotechnology and life sciences
k. Media and entertainment
l. Automobiles and components
m. Commercial and professional services
n. Utilities
o. Transportation
p. Telecommunication services
q. Technology, hardware and equipment
r. Consumer durables and apparel

Median DPO previous FY

Median DPO current FY

The benefits of supply chain finance by Greensill

Greensill operates as a funding partner and payment provider and offers supply chain finance (SCF) programs to optimise working capital. SCF is a modern fintech tool used to provide attractive discount settlements on supplier invoices. Buyers retain trade payables on their balance sheets, while suppliers can request early settlement against a discount. This discount is priced below the suppliers' comparable cost of funding and covers the cost of the whole program.

Well structured programs allow the buyer to gear the offering towards suppliers either with a significant terms extension or margin share returned to the buyer – empowering the procurement team to get the best deal depending on the suppliers' appetite for cash or cost.

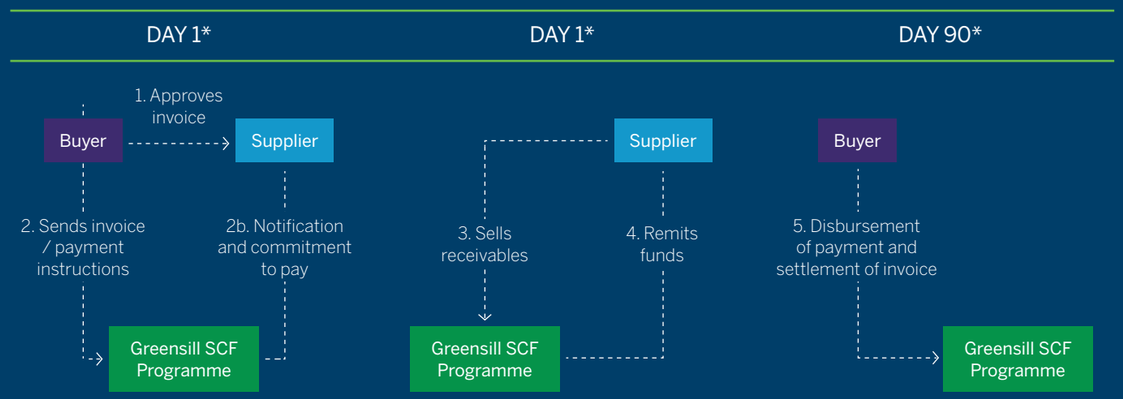
BENEFITS FOR THE BUYER

- ✓ Longer vendor payment terms without supplier demanding higher prices
- ✓ Reap early settlement discounts while still paying at full terms duration
- ✓ Improved process capability in invoice receipting, approving, electronic invoicing and overall procurement through the fintech platform

BENEFITS FOR THE SUPPLIER

- ✓ Faster cash conversion cycle from delivery to cash
- ✓ Significantly lower cost of funding particularly for SMEs
- ✓ Lower debtors risk through 'true sale' nature of transaction

THERE ARE THREE KEY STAGES IN A SCF TRANSACTION:



1. The Buyer approves the Supplier's invoice and irrevocably confirms its obligation to pay the Supplier on a future date
2. The Supplier is notified via the SCF Programme Provider of payment from the Buyer on a future due date (e.g. Day 90)
3. The Supplier may immediately electronically discount the full value of the underlying receivables to cash. This sale takes place at a small discount to face value – determined by the remaining time until its normal payment date – and without future recourse to the Supplier
4. Greensill immediately remits funds to the Supplier
5. The Buyer pays Greensill in full, without set-off, counterclaim or deduction on the maturity date

* Example of approval times and supplier payment terms. Timeline depends on company individual processes and terms negotiation

How to make supply chain finance a strategic game changer for your business

Launching a supply chain finance program is easy – it just takes a couple of signatures. The difference between a fizzling program with minimal penetration of the supplier base, and a strategic game-changer program lies in accepting that supply chain finance is not an 'easy fix' but a solution that requires the involvement and commitment of several functions within the business to work in unison, as well as running a capable procure-to-pay process.

Australian corporates come under increasing pressure to support small businesses with quicker payments. Supply chain finance should play a major role in any small business payments policy as it can provide quick and cheap access to cash for small businesses – while allowing to extend payment terms to corporate suppliers.

We understand that bridging the cross-functional gaps and internal change management are the key success drivers in supply chain finance solutions. Most programs fail due to the lack of change management, lack of process capability and insufficient resourcing and internal alignment.

PROCURE-TO-PAY PROCESS

Procurement planning and budgeting

"Does procurement understand the value of supply chain finance and how to use it in negotiations?"

Selecting and contracting

"Do we have an optimal payment terms structure?"

Originating requirements and ordering

"How do we reduce non-purchase order spend?"

Tracking, receipting and evaluating

"How do we increase the speed of our goods receipting"

Invoice processing

"How quickly do we approve supplier invoices on average?"

Discrepancy management

"Are we quick in solving discrepancies and minimise fire-fighting?"

Payment

"Are we really a good on-time payer? How much do we pay late (or early)?"

How do you compare?

2. Debtors or receivables

Selling is important but getting paid is essential. It goes without saying that successful companies find ways to minimise the gap between the handshake and the pay cheque.

To find your days sales outstanding (debtor days or weighted average debtor terms), divide your debtors' position by your annual revenue, and multiply by 365.

Next, compare your company's performance to the benchmark. Keep in mind too that while a strong benchmark performance is a good indicator that you are doing something right, **matching the benchmark does not mean other opportunities for improvement don't exist.** When it comes to working capital, each company and each industry is different.

DSO performance declines in most industries

Only five of 17 industries reduced their outstanding debtors and collected cash faster.

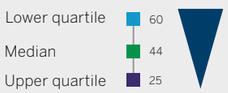
Days sales outstanding is a measure of the average length of time between invoicing and cash collection. As with most KPIs, the payment terms with customers are industry-specific and driven by B2B or B2C segments of the market.

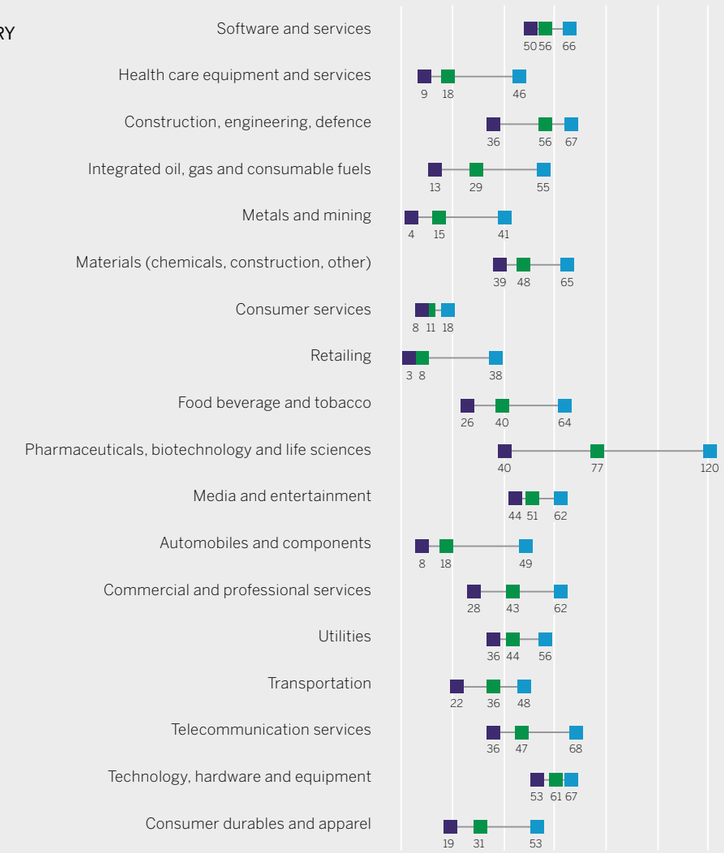
While five industries have improved their DSO performance, most sectors saw their DSO deteriorate in 2018. **The average company had to wait longer for customers to pay their invoices,** the likely outcome of an effort of buyers to pay their suppliers later.

Smaller is better.

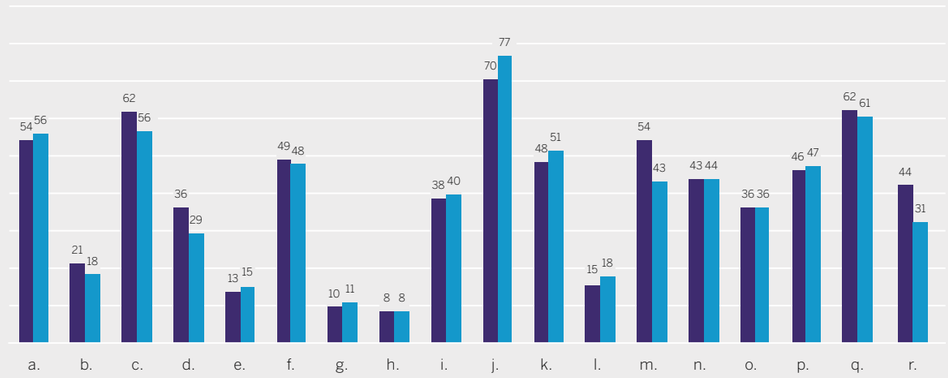
DAYS SALES OUTSTANDING BY INDUSTRY

OPPORTUNITY SIZE





CHANGE IN DAYS SALES OUTSTANDING BY INDUSTRY



a. Software and services
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c. Construction, engineering, defence
d. Integrated oil, gas and consumable fuels
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f. Materials (chemicals, construction, other)
g. Consumer services
h. Retailing
i. Food beverage and tobacco
j. Pharmaceuticals, biotechnology and life sciences
k. Media and entertainment
l. Automobiles and components
m. Commercial and professional services
n. Utilities
o. Transportation
p. Telecommunication services
q. Technology, hardware and equipment
r. Consumer durables and apparel

Median DSO previous FY

Median DSO current FY

Secrets of the top performers

If you want to know more about how to improve your debtors performance while improving your customer relationships, reduce dilution and disputes, reduce unbilled WIP and reduce collections and dispute management effort, please reach out to us. We ask the right questions to identify the underlying opportunities.

Leading companies understand there is more to debtors performance than asking customers for shorter terms.

Customer payment terms are not the only driver in debtors performance. Billing, collections and dispute management processes are typical areas for improvement when looking at triggering cash release from debtors.

Typically there is a significant amount of 'slack' found in these processes, all resulting in high overdues, high unbilled revenue levels, and revenue leakage/ dilution. The improvers have shown in FY18 that it is possible to increase effectiveness in those processes 'while swimming against the stream' of longer payment terms demands by customers.

Companies that want to improve their DSO should take an end-to-end approach along the Order-to-Cash process to identify all drivers, and not just focus on isolated measures or hide behind 'we can't ask our customers for shorter payment terms'.

ORDER-TO-CASH PROCESS

Sales and quote management

"Do we use our working capital strategically by offering differentiated payment terms to customers?"

Credit and risk management

"Are credit limits reviewed on a regular basis?"

Order processing

"Are invoices processed as quickly as possible after dispatch or reaching a billing milestone?"

Invoicing

"What is our error rate in raising and sending invoices?"

Collections management

"How soon after due date are customers chased for payment?"

Discrepancy management

"Are there any large disputed amounts outstanding now?"

Cash application

"Do we accurately know what has been paid already?"

How do you compare?

3. Inventories

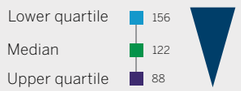
Days inventories outstanding (DIO) is a particularly rich measure of working capital as it offers insight into the physical movement of a product. A low DIO is usually an indication of a healthy business in which supply is meeting demand. A high DIO on the other hand will often suggest that demand is falling or that the company has insufficient control of its production or insight into its customers' needs.

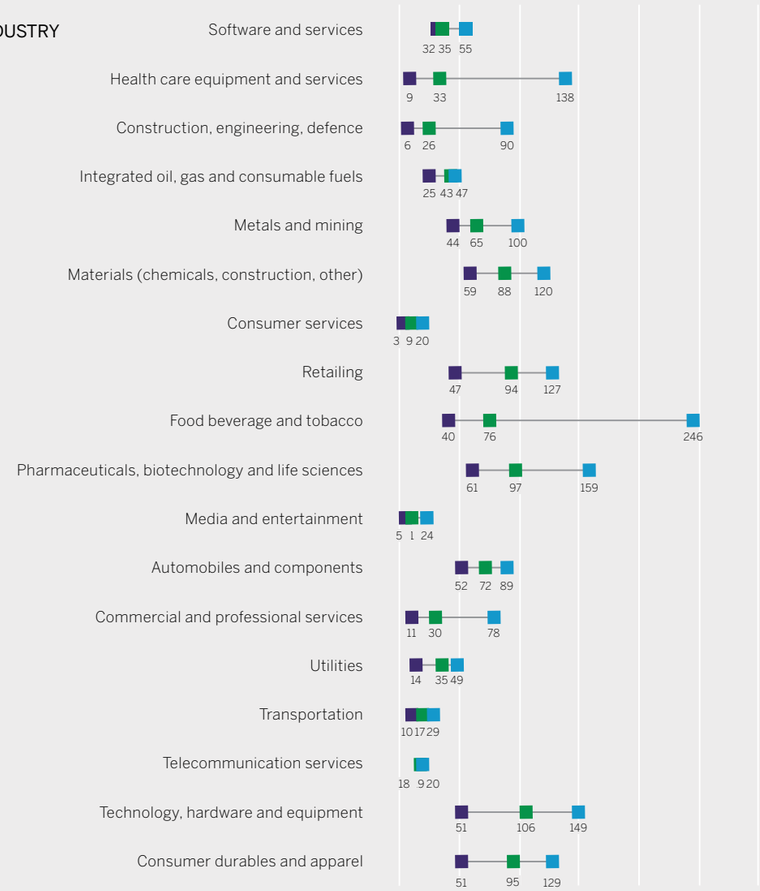
To calculate this KPI, divide your inventory by your annual cost of goods sold, and multiply by 365. Smaller is better in DIO. While strong DIO numbers are a good indicator of company strength, meeting the benchmark doesn't mean there aren't further opportunities. Leaders only stay leaders by driving continuous improvement.

Smaller is better.

DAYS INVENTORIES OUTSTANDING BY INDUSTRY

OPPORTUNITY SIZE





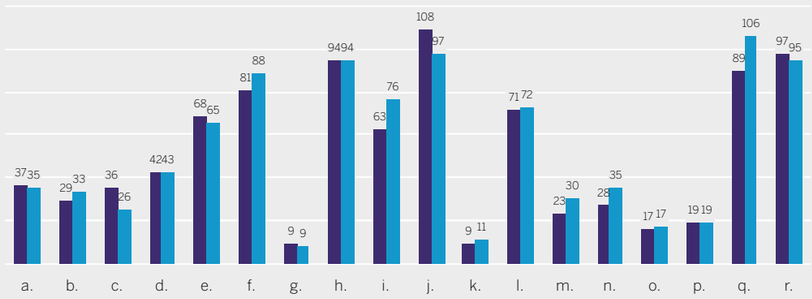
Only 5 industries improved inventory performance

As we can see from the varying levels of inventory performance, not all industries hold stocks or WIP at a similar level. Only five industries improved as a whole, most notably construction, engineering, defence by approximately 28%. Inventory in this industry is heavily driven by work-in-progress for major construction or engineering projects and is subject to significant swings depending on when billing milestones were reached and billing has occurred. Therefore it is difficult to gauge whether this is a sustainable improvement or an industry-specific swing.

Mining has seen a reduction in stocks which may be connected to rising resource prices on the world markets.

Retail has seen no significant change. With local retailers coming more and more under pressure by Amazon expanding e.g. into fashion retail, it will be interesting to see how this industry develops in FY19. The past months have already seen several major disruptions in the retail industry.

CHANGE IN DAYS SALES OUTSTANDING BY INDUSTRY



a. Software and services
b. Health care equipment and services
c. Construction, engineering, defence
d. Integrated oil, gas and consumable fuels
e. Metals and mining
f. Materials (chemicals, construction, other)
g. Consumer services
h. Retailing
i. Food beverage and tobacco
j. Pharmaceuticals, biotechnology and life sciences
k. Media and entertainment
l. Automobiles and components
m. Commercial and professional services
n. Utilities
o. Transportation
p. Telecommunication services
q. Technology, hardware and equipment
r. Consumer durables and apparel

Median DIO previous FY
Median DIO current FY

Secrets of the top performers

Whether your challenge is to speed up inventory turnover while improving on-time-in-full capabilities, to reduce logistics costs, avoid obsolete stocks, improve transparency or streamline your complete sales and operations planning process, reach out to us. We can help you master your inventory with sustainable results.

The concept of inventory management is simple. The execution is not.

Anyone can grasp the basics of inventory but mastering it is the most complicated aspect of working capital management. The actual amount of inventory held is affected by a wide range of cross-functional decisions and motivations that in many cases run counter to the desire for a lean inventory, these include:

- ✓ Procurement's purchasing decisions
- ✓ Sales demand forecasts and promises of customer support
- ✓ Operations desire to avoid logistical bottlenecks and keep costs down

Leading companies have understood that the solution to this situation is a cross-functional approach from end-to-end:

FORECAST-TO-FULFIL PROCESS

SKU management

"Do we understand lifecycles of products and manage phase-out and obsolete stocks well?"

Sales and operations planning

"Is forecast accuracy correctly measured and are actions taken to improve accuracy for SKUs where it makes sense?"

Demand planning

"Are the supply batch volumes aligned with overall demand?"

Materials planning, purchasing and replenishment

"Are replenishment methods optimised regularly and lead times and supplier performance fully understood?"

Project scheduling and execution

"Do we manage cost ramp up as efficiently as possible?"

Inventory management

"Do Inventory Managers use statistical stock management to classify SKUs in groups by demand behaviour and importance for the business?"

Warehousing, distribution, reverse logistics

"Are there any shipping constraints, and how are they modelled in the overall fulfilment plans?"

Unlocking cash opportunities

The size of the prize

We have calculated the prize of improving working capital performance across the top 500 companies in Australia....

Most companies have at least one improvement area, some show opportunities in all three areas.

In all, the 'gross working capital' of inventories + receivables + payables = $175.2b. The estimated opportunity of $34.3b would be roughly 19% of that – which is in the range of results for a typical working capital project.

$34b

of opportunity in Australia...

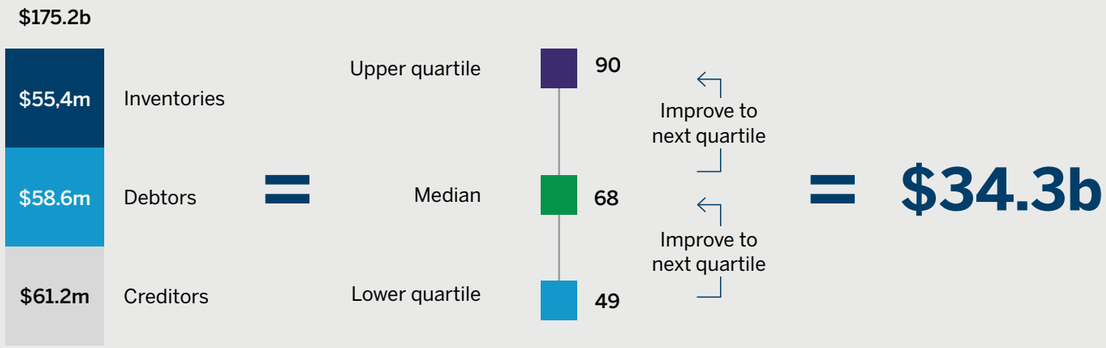
What does this mean for your business?

Typically, working capital projects trigger a cash release equal to 5-10% of revenue.

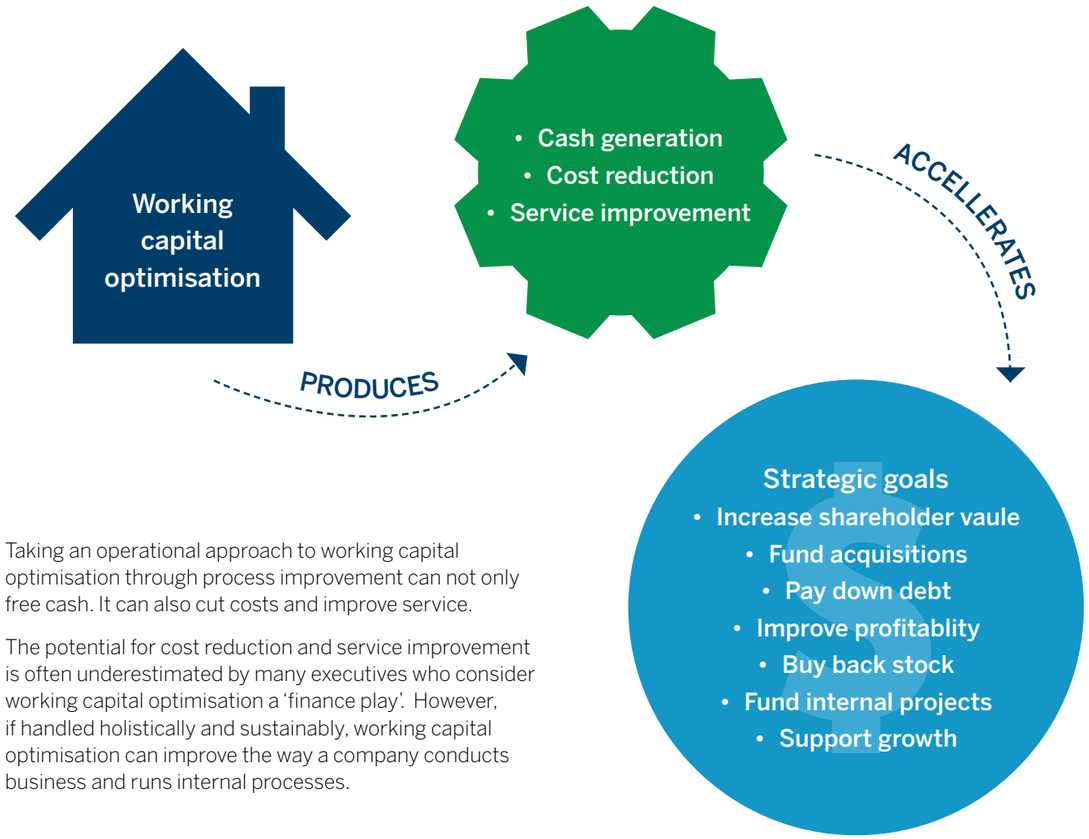
Australia's corporate working capital is evenly spread across the three areas:

For each industry we used statistical analysis and benchmarked the opportunity to improve from the current performance to the next best quartile in each area of working capital:

Example: DPO (days payables outstanding, bigger is better)



The true prize is even bigger... working capital optimisation is key to achieving strategic goals



Taking an operational approach to working capital optimisation through process improvement can not only free cash. It can also cut costs and improve service.

The potential for cost reduction and service improvement is often underestimated by many executives who consider working capital optimisation a 'finance play'. However, if handled holistically and sustainably, working capital optimisation can improve the way a company conducts business and runs internal processes.

If done right, working capital optimisation is a one-time investment. While debt is much easier to access for many, it comes with shackles of recurring interest expense, higher gearing and external influence on the business.

How we can help you release opportunities

FTI Consulting

Our team of working capital experts bring decades of relevant experience in process optimisation and change management to drive projects with sustainable results in a short timeframe. The cash released is typically equivalent to 5-10% of revenue, making our projects strategic enablers for executives.

We place particular emphasis on stakeholder management to generate buy-in for change from the early stages of a project. We work directly with your staff to improve their internal processes, systems and controlling methods. We improve the way business is done with our end-to-end approach to positively impact debtors, creditors and inventory management.

Our team works fast, we aim to execute your new working capital strategy within four weeks. Our recommended phased approach delivers quick wins to provide immediate payback and cash to fund more fundamental changes.

PHASE 1

Initially we will develop a complimentary working capital benchmark to compare your performance against your peers and identify a scope of opportunities tailored to your business.

PHASE 2 (2 - 3 WEEKS)

We perform a fact-based, data-driven diagnostic review to identify 'quick wins' and longer-term opportunities.

PHASE 3 (1 - 2 WEEKS)

We develop a detailed action plan together with you to generate cash and make sustainable improvements.

We ensure buy-in and support for the agreed targets with those who will be responsible for delivery.

PHASE 4

We support your implementation focused on the key levers

- Mapping, rationalisation and improvement of commercial terms
- Process optimisation throughout the entire working capital cycles
- Compliance and monitoring
- Creating and embedding a 'cash culture', where trade-offs between cash, cost and service are evaluated and optimised.

Greensill

Greensill is a specialist provider of structured and trade finance. Our focus is on monetising future cashflows for our clients, from short-term receivables and payables financing (supply chain finance), to long-dated contract monetisation.

Greensill was founded by Lex Greensill in 2011, a former Senior Advisor to the UK Prime Minister, and former Citibank and Morgan Stanley banker. The company has grown to 200 people globally, many of whom managed structured and trade finance businesses at Citibank, JP Morgan, HSBC and Morgan Stanley.

Greensill is a market leading provider of non-bank supply chain finance with 1.7 million suppliers on-boarded and more than US$50b of financing in more than 60 countries.

AREAS OF EXPERTISE

SUPPLY CHAIN FINANCE

- Greensill has the largest team of SCF specialists globally
- We have implemented over 100 SCF programmes for investment grade and non-investment grade clients
- Greensill has provided over $25b of financing to a pool of 1.3 million suppliers

PORTFOLIO FINANCING

- Greensill has developed a structure to monetise portfolios of customer receivables for clients
- The pilot solution was developed for a telco client with mobile handset receivables, but has now been applied across a variety of sectors

ACCOUNTS RECEIVABLE FINANCING

- Greensill provides several AR structures designed to achieve both true sale off balance sheet accounting treatment or the more common loan against receivables
- These facilities are managed by sophisticated software platforms that provide our clients with detailed reporting on one of their most valuable assets. The resulting facility pricing reflects the quality of the underlying debtors that naturally flexes with the eb and flow of seasonal invoicing and cashflow cycles, delivering maximum benefit when needed most.

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