Working Capital Analytics

Eliminate Waste. Reduce Working Capital. Increase ROCE.

Working capital (WC) is one of the ultimate indicators of a company's financial well-being, and its most economical source of finance. In the current climate, FTI Consulting is working with many corporations looking to release cash trapped in operations to finance their WC. CEOs, CFOs and finance executives should aim for sustainable improvements in inventory management, accounts receivable and accounts payable processes to reduce WC and improve return on capital employed (ROCE).

Companies that Manage WC by Utilising a Well Defined, Proven and Effective Methodology Can:

— Increase liquidity

— Reduce debt and cost of capital

— Increase ROCE

— Increase profitability and shareholder value

Executives Face Many Challenges Particularly in Proactively Optimizing WC:

— Limited access to information: companies lack the real-time data required to evaluate WC processes

— Lack of a clear drill-down methodology and cross-functional view

— Time, analytical resources and capability constraints that hinder WC focus and optimization

— Lack of infrastructure to manage a large volume of structured and unstructured datasets ranging in size from terabytes to petabytes

Managing WC effectively will require a new approach to increase efficiency across the entire cash conversion cycle. Companies without WC may lack the funds necessary for growth or be at a higher risk to default. Conversely, excessive WC may indicate a poor investment strategy. Thus, proper management of working capital will generate cash and will help improve profits (through growth) and reduce risk (default or stunted growth). Companies can seek assistance at any stage of a situation or crisis, including growth, slowdown, shutdown, mergers and acquisitions (M&A), carve outs and divestments.

Corporations Must be Equipped to Protect Cash and Liquidity Risks:

— Measure the WC performance of enterprise-wide activities with key metrics sourced from core systems

— Determine optimal levels of WC, track these values against monthly actuals (trend analysis) and set targets and goals at the enterprise, business unit, product or individual/customer/vendor level

— Monitor AR, inventory and AP performance metrics (DSO, DIO, DPO, DWC)

— Track and monitor disputes and drive dispute resolution

— Monitor spend by commodity and vendor, and manage terms programs with vendors

— Demand sensing, production/inventory optimization

— Capital planning, loans and finance charges optimization

How FTI Consulting Can Help

FTI can help across all WC challenges and stages, with an objective to minimise the risks involved in managing liquidity and cash using Digital, Data and Decision Science capabilities. Based on our experience of having worked with clients across the spectrum of WC management maturity levels, FTI teams can engage through a variety of models, including transformation strategy, dipstick reviews, one-time intervention, managed services and platform- or insights-as-a-service.

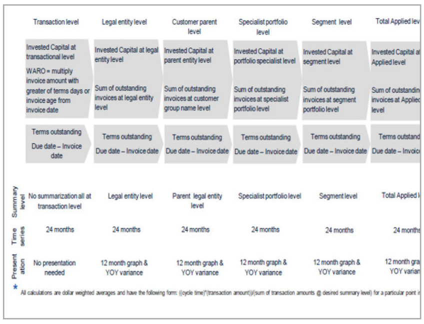
Benefits and Accelerators

Accounts Receivable
- Improve credit and collection process
- Improve internal/ customer behaviour
- Cross-departmental cooperation
- Term Normalisation
- Invoice error deductions
- Price and previous payments optimization
- Faster collections
- Optimize future payment

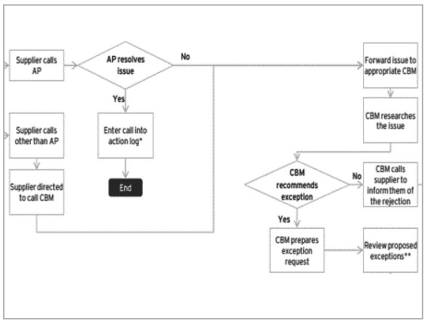
Accounts Payable
- Standardize terms/ renegotiation
- Avoid early/urgent payments
- Improve cash outflow forecast
- Discount rules analysis
- Optimum payment run cycle

Inventory Reduction
- Total inventory visibility
- Improve logistics KPI's
- Supplier Risk Management
- Network optimization
- Stocking policies
- Fixed replenishment parameters
- Change logistics providers

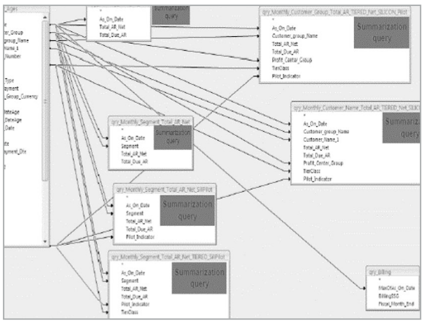
Financial Planning
- Capital Planning
- Loans
- Interest planning
- Spend analysis
- Market drivers and impact analysis



Gain access to critical analytics resources such as, processes accelerators, controls, matrices, visualization, models, platforms and workflows



Build Centre of excellence (COE) to address different situation for example, WC need assessment, optimization, cost reduction, M&A, Carve outs and divestments etc.



Augment capabilities to handle very large volume of structured and unstructured data sets ranging in terabytes and petabytes

Build Executive Dashboard, Statement of Cash-Flow, Accounts Payable Dashboard, Accounts Receivable Dashboard, Inventory Dashboard, Revenue Dashboard, Monthly Ratio Table

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