

ASK THE EXPERTS WEBINAR

*How to Manage Working Capital
in a Disruptive, Dynamic Environment*

March 31, 2022

MODERATED BY:



MV Henry
MANAGER

PRESENTERS:



Oscar Durham
MANAGING DIRECTOR

Expertise: Supply Chain & Operations, Mergers and Acquisitions



Greg Carlson
MANAGING DIRECTOR

Expertise: Corporate Function Transformation; Technology Enablement



Adam Linton
DIRECTOR

Expertise: Digital Transformation, Mergers & Acquisitions



Kevin Klas
DIRECTOR

Expertise: Supply Chain & Operations, Business Transformation

KEY REMINDERS

- ▶ Riveron webcasts – past and upcoming
- ▶ 4 polling questions must be answered to obtain CPE
- ▶ If you have questions, feel free to ask in Q&A option in Zoom
- ▶ Webinar evaluation form & CPE certificate will be emailed to you
- ▶ On demand video is not eligible for CPE
- ▶ You will receive a follow up email including:
 - ▶ Access to this webinar recording and deck
 - ▶ The ability to join our Webinars Mailing list to receive future invites
 - ▶ Presenter contact info

TOPICS COVERED

1



Evaluate both micro and macro factors impacting industries and related working capital challenges

2



Reexamine approaches to working capital and the role benchmarking plays in establishing goals

3



Gauge organizational maturity in supporting key activities that affect working capital

4



Understand how to develop a customized approach that includes accurate internal baselining and drives realistic improvements to working capital

POLLING QUESTION

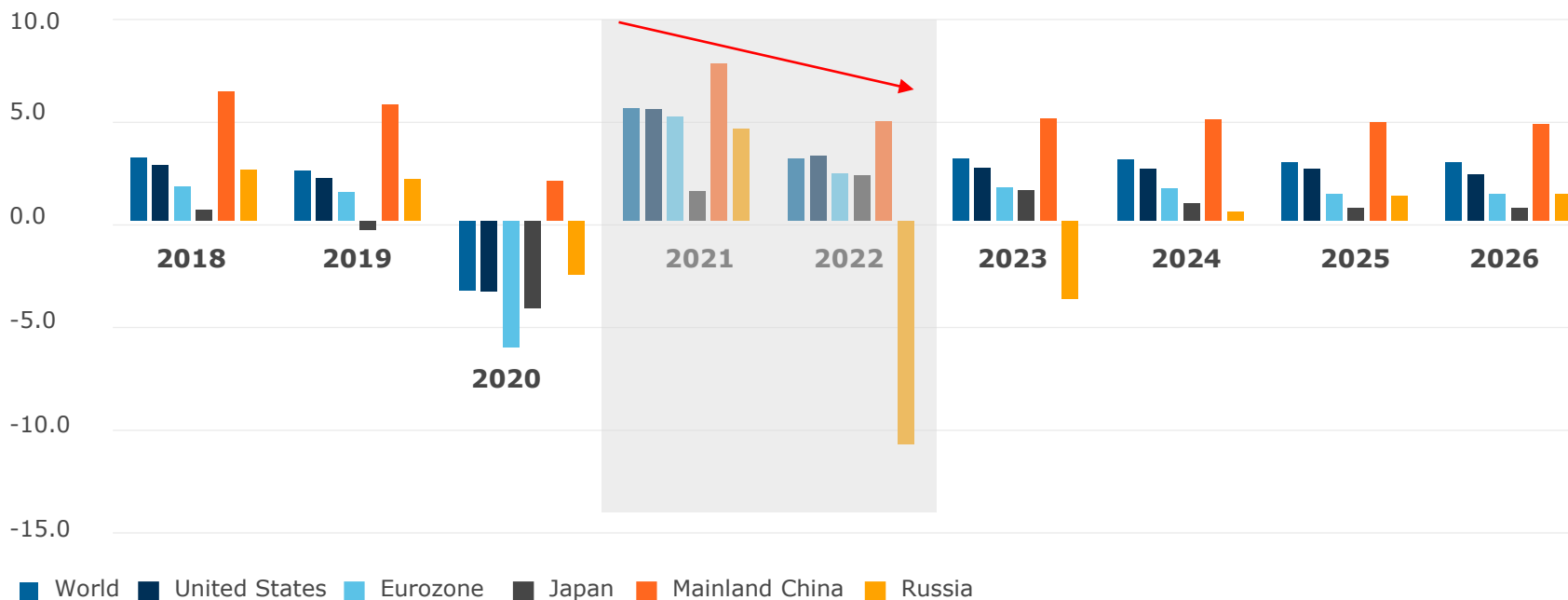
#1

Where does Working Capital optimization currently sit on your priority list?

- A All-time high priority
- B It's important, but we have other equally important issues
- C We're comfortably liquid, so our focus is on driving sales, efficiency, and other items
- D We're buttoned up – cash management is generally an afterthought

MACROECONOMIC OUTLOOK REVISIONS FOR 2022

Real GDP growth (percent change)



Source: S&P Global Market Intelligence

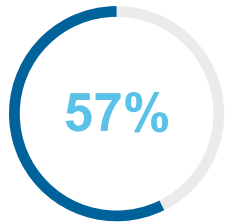
USA Real GDP Outlook

- ▶ Revised **down** from 3.7% to 3.3% in February
- ▶ Higher food and energy prices
- ▶ Inflation projected increase from 4.7% (2021) to 6.2% (2022)

Global Real GDP Outlook

- ▶ Revised **down** from 4.1% to 3.3% in February
- ▶ -0.3% due to Russia/Ukraine situation
- ▶ -0.3% due to slower growth in Western Europe

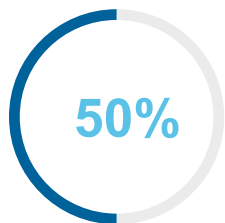
EXECUTIVE SENTIMENT AND 2022 HEADWINDS...



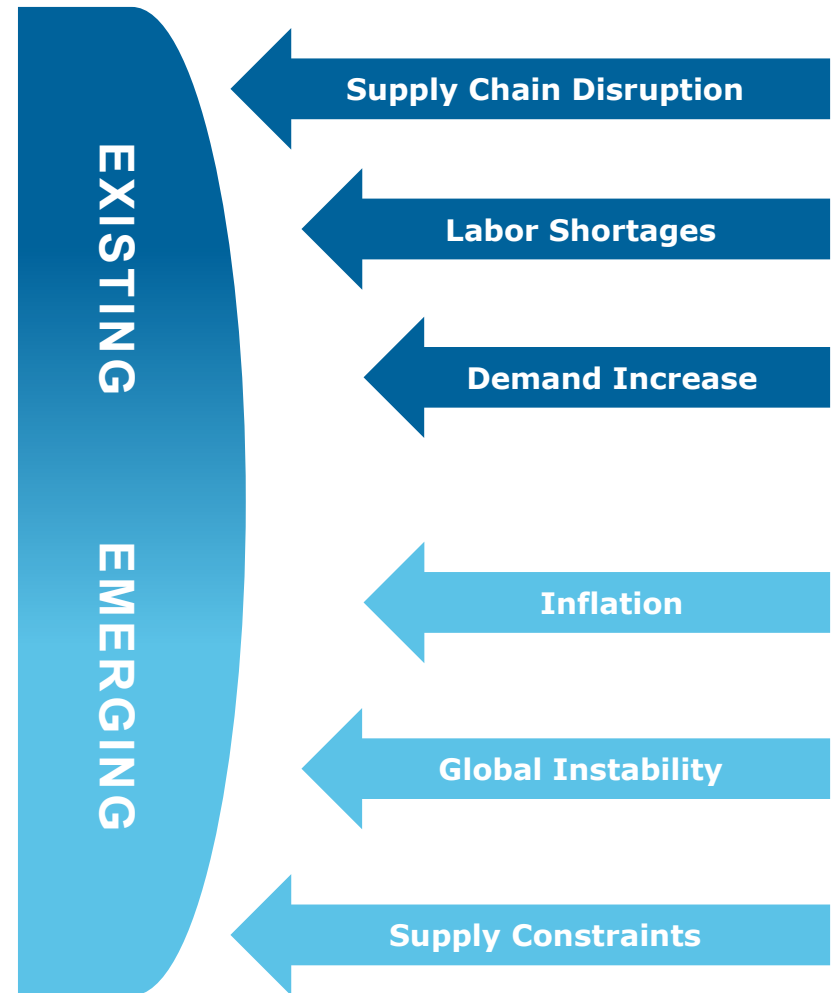
Of Executives expect their liquidity needs to increase through Q1 of 2023 ¹

Unlock Working Capital to:

- ▶ Pay down debt; Increase valuation
- ▶ Invest in digital enablers
- ▶ Optimize inventory levels
- ▶ Capitalize on emerging supply alternatives
- ▶ Reduce dependence on rising cost of capital



Of Executives will make optimizing working capital a top priority in 2022 ¹



¹ EulerHermes Web Survey

POLLING QUESTION #2

What external influence creates the most risk for your business cash flow strategy?

- A** Inflation
- B** Supply chain disruption
- C** Labor cost and scarcity
- D** Cost of capital
- E** Geopolitical events and instability

RETHINKING BENCHMARKS

BOTTOM LINE:

Historical trends and traditional benchmarks have lost relevancy – cannot plan by “looking backward”

OPPORTUNITY:

Develop deeper, timely, more accurate insights to recalibrate targets – **improve detailed visibility**

Go Deeper Than Traditional KPIs:

- ▶ Cash to Cash Cycle (DSO)
- ▶ DPO
- ▶ DIO



To Yield Deeper Insights:

- ▶ Customer Segmentation/Orientation
- ▶ SKUs
- ▶ Category Spend
- ▶ Profit by Product, Customer, and Network
- ▶ Sales Forecasts and Demand Management

What Are You Doing In 2022? ⁴

The majority of finance executives will be:

78.7%

Leaving the long-term forecast for shorter-term scenario planning

65.3%

Increase predictive analytics capabilities

64.4%

Acting on real-time data

⁴ EulerHermes Web Survey

THE “ACTIVIST” WORKING CAPITAL ORGANIZATION

BOTTOM LINE:

The best insights and data are only meaningful IF the organization is properly structured and enabled to execute

OPPORTUNITY:

Move from reactionary to “activist” working capital management by consistently recalibrating targets, leveraging real-time insights, and prescribing clear actions to operational and back-office teams

Questions Every Business Leader Should Be Asking:

- ▶ Are clear lines of organizational authority and accountability established to execute recommendations?
- ▶ Are Sales, Operations, and Cash Management priorities appropriately aligned?
- ▶ Is the S&OP process frequent enough, provided with accurate data, and enabled to take proper action?
- ▶ Is data fidelity sufficient to support appropriate KPIs and recommendations?

83% of Best-in-Class companies conduct formal **S&OP process monthly** or **more frequently** ⁵

Companies with formal **S&OP** processes have a **35%** better cash-to-cash cycle, and are **59%** higher in forecast accuracy ⁵

POLLING QUESTION

#3

Which statement below best describes your organization's S&OP process?

- A** What's S&OP?
- B** Scheduled as needed once or twice yearly
- C** Standing event weekly or monthly
- D** Our business doesn't require it

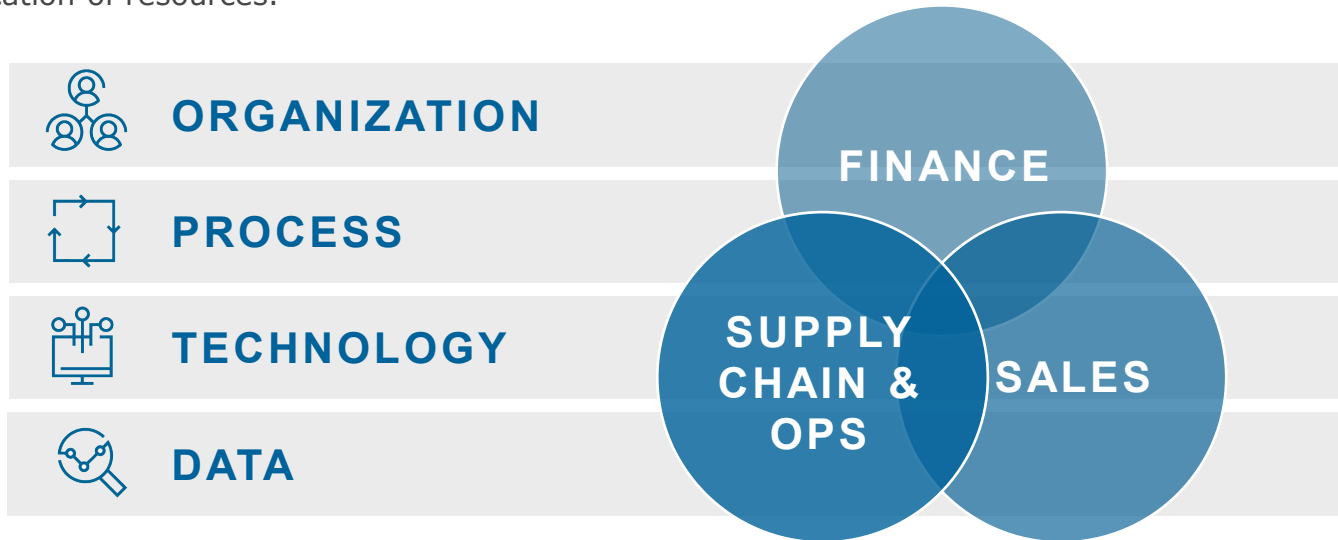
DEVELOPING A WORKING CAPITAL BLUEPRINT

BOTTOM LINE:

Sustainable working capital improvement requires a comprehensive future state design (Blueprint) that defines common functional goals, and details the necessary framework required to support execution.

OPPORTUNITY:

The Working Capital Blueprint aligns cross-functional objectives with organizational, process, and technology components to support tactical execution (the Playbook), while mitigating stalls, unexpected costs, and misapplication of resources.



ESTABLISHING A TACTICAL PLAYBOOK

BOTTOM LINE:

Working Capital optimization consists of a large pool of potential “micro-projects”: a properly scoped and prioritized set of contributing activities (the “Playbook”) is essential to reaching targeted outcomes.

OPPORTUNITY:

Establishing ranking criteria for potential activities, such as estimated ROI, resource requirements, complexity, and timing, will create a natural priority among opportunities. This ensures the most impactful and realistic opportunities are elevated, and that tangible “needle-moving” progress is realized.

SIGNIFICANT AREAS OF OPPORTUNITY:



Order to Cash

Order capture
Invoice cycle time and accuracy
AR / collections management



Integrated S&OP

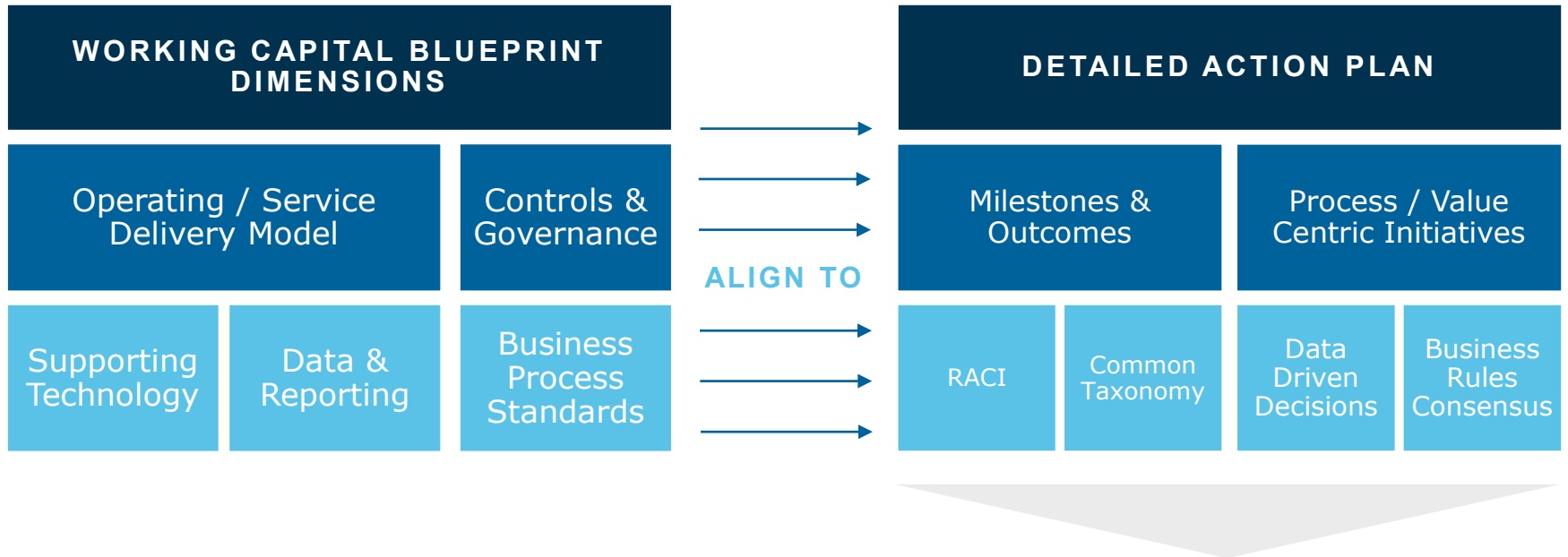
S&OP design and implementation
Customer/Product segmentation
Virtual Demand/Sales Forecast



Inventory Management

Aged inventory liquidation
Stock optimization
Supplier management

TACTICAL PLAYBOOK: DEVELOPMENT APPROACH



Execution Playbook (Illustrative)

Inputs/Actions

- ▶ Value Stream Mapping
- ▶ Friction Workshops
- ▶ Workforce Census
- ▶ Transaction Analysis

Item	One Time Costs (\$)	Run Rate Costs (\$)	WC Impact	EBITDA (LOW)	EBITDA (High)	TTC
AP Automation	.35	.14	1.5	.45	.60	50 Weeks
Invoice Cycle Improvement	.47	.03	6.5	.20	.30	36 Weeks
S&OP Stand-Up	.22	.01	1.2	.10	.20	8 Weeks
Customer Master Data	.30	-	.9	1.3	1.5	24 Weeks
RPA Implementation	.38	.20	1.7	2.1	2.6	28 Weeks
Executive Dashboard	.15	.01	-	.15	.27	6 Weeks

POLLING QUESTION

#4

Where do you feel the greatest value-unlock is in your organization?

- A** Establishing cross functional alignment of goals and targets
- B** Automation and digitalization of manual processes
- C** Improving real-time analysis and reporting
- D** Formalizing procedures, ownership, and accountability in the org structure
- E** Diversifying and de-risking the supplier base

Q&A

ADDITIONAL RESOURCES

[Reimagining the Finance Function: Six Elements of Modernization](#)

[Modern Finance: Working Capital for Growing Companies](#)

[Revitalizing Distressed Businesses: The Role of Independent Directors](#)

[Navigating Supply Chain Challenges in the Consumer Products Industry](#)

Related Thought Leadership

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