

CFO *Agenda*
Aarhus

Working capital management
Ver 2.0

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25. september 2014

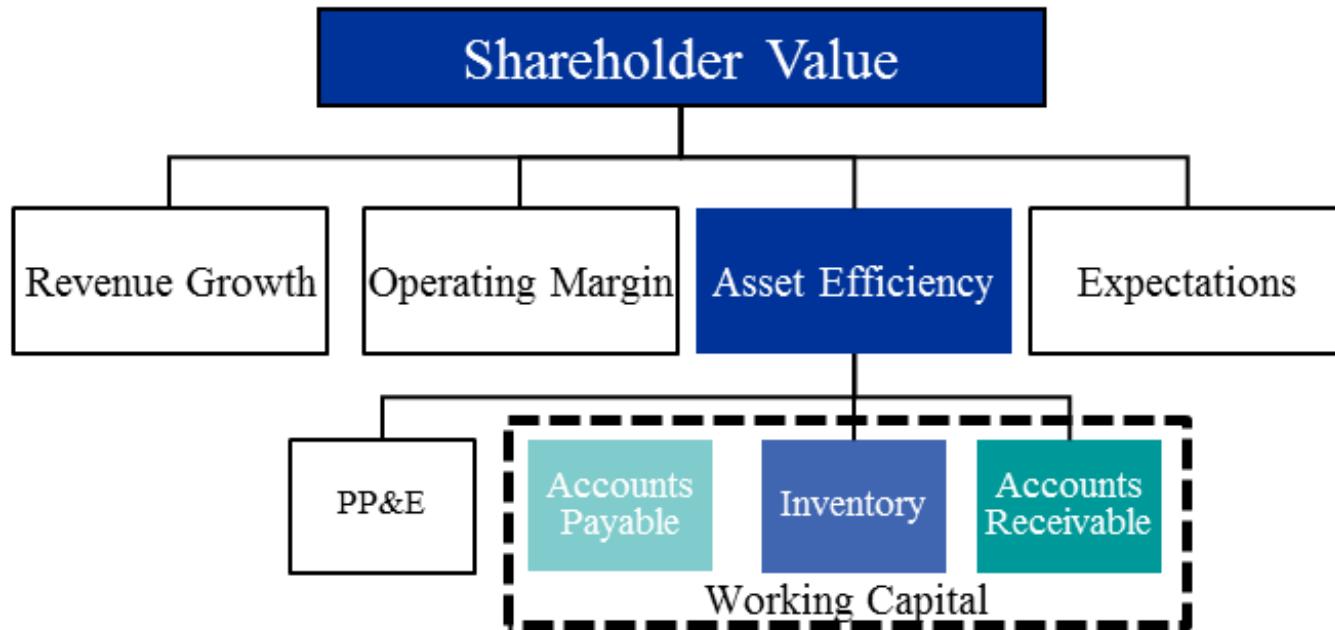


“Money often costs too much”

Ralph Waldo Emerson

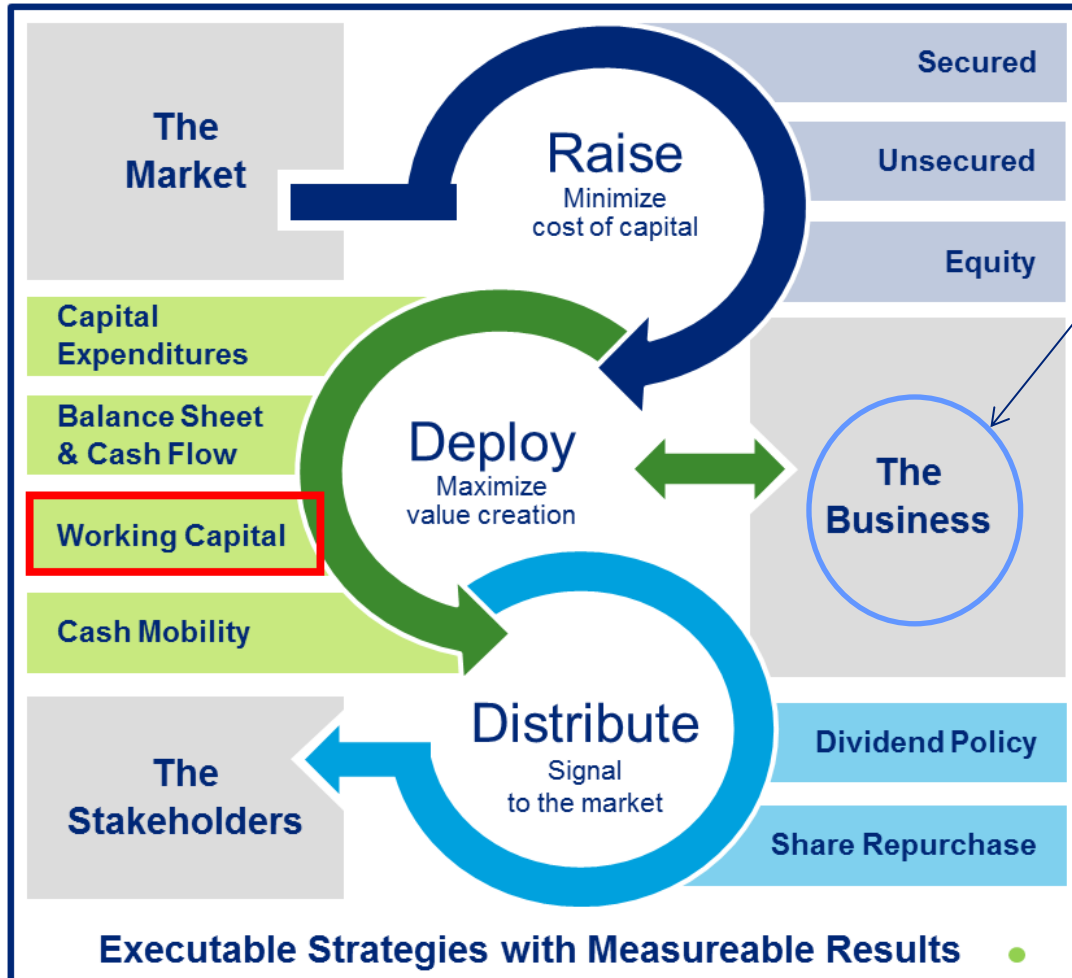


Working capital is a very important part of creating shareholder value



The primary focus of working capital is asset efficiency, **but it has great impact on all aspects** of shareholder value.

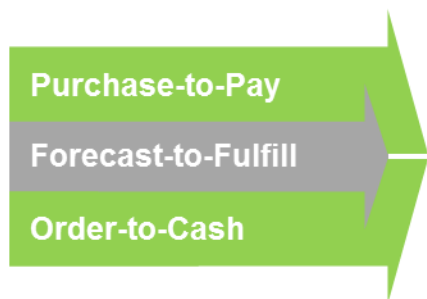
Improving working capital is part of optimising the business



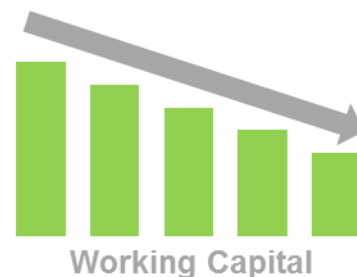
It's all about the business!

Optimising working capital is a methodology that creates an organisational model, selects targeted areas to improve, prioritises initiatives and embeds sustainability

WC Optimization Process



	FY10	FY11	Bench mark
DPO	xxx	xxx	xxx
DIO	xxx	xxx	xxx
DSO	xxx	xxx	xxx



The process should be repeated regularly to ensure alignment with shareholder value and optimal performance

Optimising working capital has large benefits



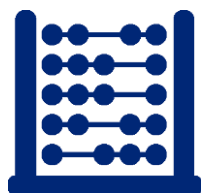
Strong link between low NWC and ebit margin

3-10% of turnover can be released in cash



Optimisation of internal processes

Increased customer service



Better cashflow projections

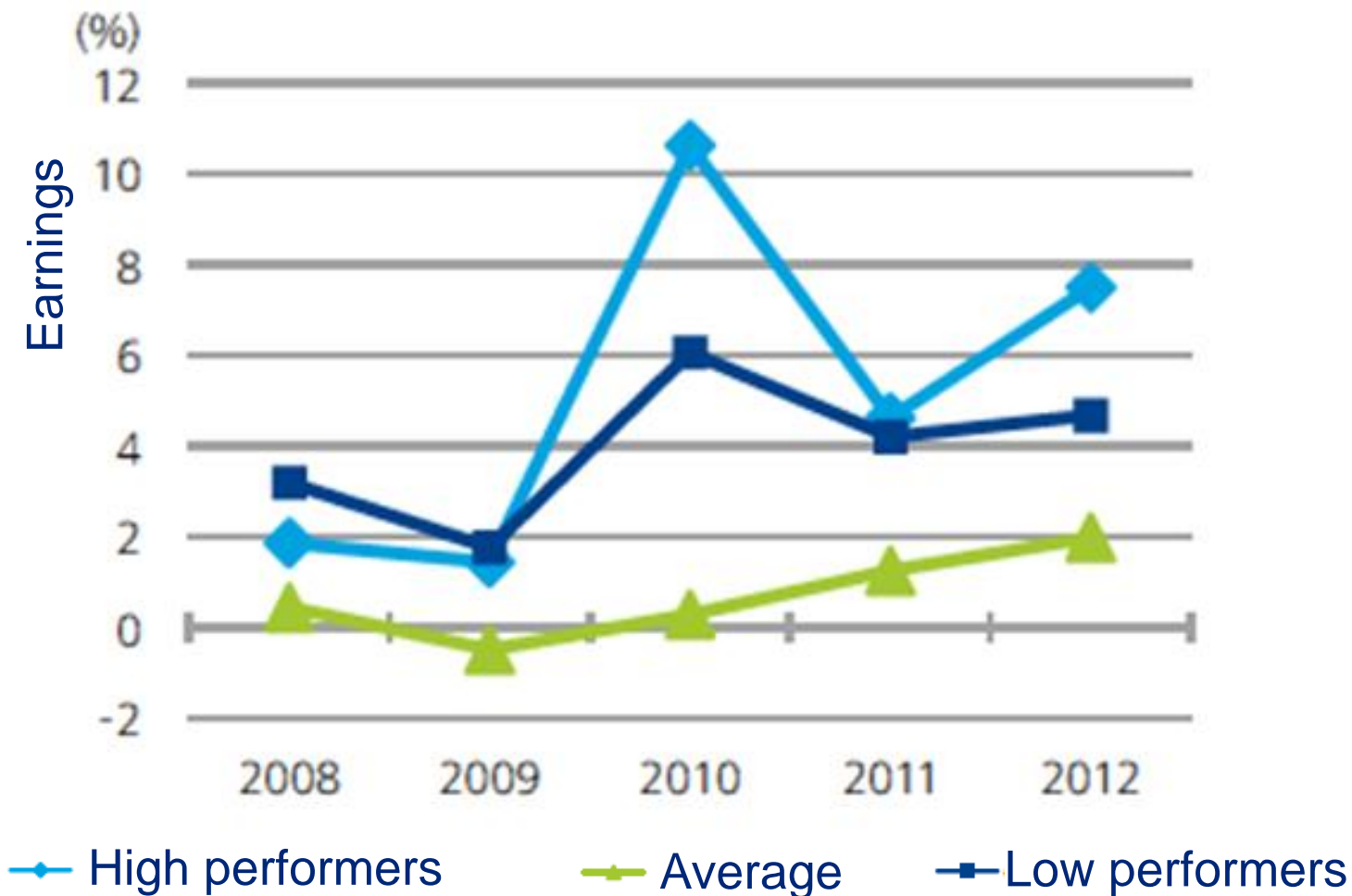
Better debt/equity ratio



It's all about time



Close link between strong working capital performance and earnings



Working Capital Improvement Drivers

Purchase to Pay

Purchase
Processing and
Execution

Payment
Processing and
Execution

Purchase Price
Negotiation
Strategy

Payment Term
Setting and
Management

Vendor
Relationship
Management

Forecast to Fulfill

Sales & Operation
Planning

Demand Planning

Inventory
Management

Supply Planning

Supply Chain
Flexibility

Order to Cash

Selling Price
Setting

Payment Term
Setting and
Management

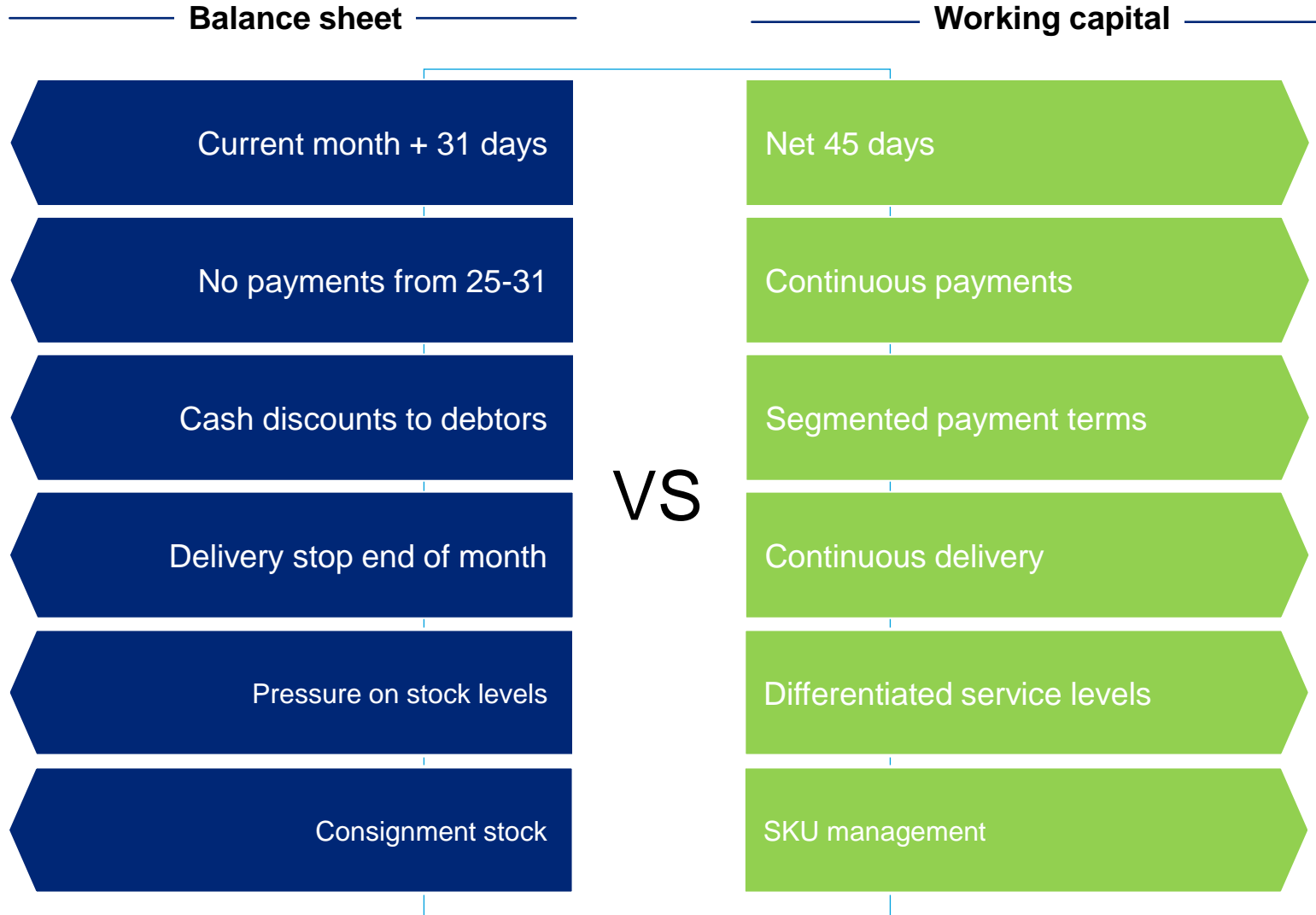
Overdue and Bad
debt Management

Invoice
Processing and
Execution

Collections
Processing and
Execution

Trade Credit
(Risk)
Management

Balance sheet optimisation vs working capital optimisation



Key points about working capital



- What you measure is what you get

- There is no silver bullet
- It is not a finance issue



- There needs to be cross-functional ownership

- It is not a *once in a lifetime project*

- The potential is large



- There is a positive impact on earnings

- It is not only on the balance sheet

- Standardisation

- Segmentation

- Differentiation



“You must gain control over your money or the lack of it will forever control you”

Dave Ramsey



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