



## Working capital roundup: A look back at 2021

### Transcript

**Presented by:**

**Wanya du Preez**, Senior Vice President, Deloitte Transactions and Business Analytics LLP

**Wanya du Preez:**

Hello, I'm Wanya du Preez, Senior Vice President with Deloitte Transactions and Business Analytics LLP and part of the Working Capital and Liquidity Services practice, and I will be sharing our Q4 2021 working capital highlights with you.

Our annual report is a 12 month detailed look back on the Working Capital performance of companies during 2021, focusing on the individual sectors, and underlying drivers of Working Capital.

Many companies experienced significant revenue growth in 2021, boosted by government stimulus and driven by strong consumer demand. Despite the weaker second half of the year marked by supply chain disruptions, shortages in the labor

force, and rising energy and labor costs, the companies analyzed reported a high increase in revenue ranging between 17% and 34% across all industries compared, coupled with strong margin growth. This growth was accompanied by an improvement in free cash flows and a reduction of net debt.

However the "great resignation" where more than 47 million workers quit their jobs in 2021, drove Labor costs to a 20-year high, whilst crude oil prices hit their highest level since 2014, resulting in inflation increases that has not been seen in the United States in 40 years.

Overall, working capital metrics demonstrated strong performance in 2021, with DSO and DIO outperforming pre-pandemic levels across many sectors,

despite the supply chain challenges and rising prices for raw materials and 4-5% increases in labor costs. DPO pursued the same trend of moving closer to its pre-pandemic levels and has deteriorated gradually.

However, despite the positive trends, the current level of indebtedness and the impact of rising interest rates should prompt companies to start thinking about the rising financing cost in the years ahead, including liquidity tied up in working capital.

For a complete analysis of WC trends by industry, download the Working capital Q4 2021 snapshot now.

This publication contains general information only and Deloitte is not, by means of this publication, rendering accounting, business, financial, investment, legal, tax, or other professional advice or services. This publication is not a substitute for such professional advice or services, nor should it be used as a basis for any decision or action that may affect your business. Before making any decision or taking any action that may affect your business, you should consult a qualified professional advisor.

Deloitte shall not be responsible for any loss sustained by any person who relies on this publication.

**About Deloitte**

As used in this document, "Deloitte" means Deloitte Financial Advisory Services LLP, which provides forensic, dispute, and other consulting services, and its affiliate, Deloitte Transactions and Business Analytics LLP, which provides a wide range of advisory and analytics services. Deloitte Transactions and Business Analytics LLP is not a certified public accounting firm. Please see [www.deloitte.com/us/about](http://www.deloitte.com/us/about) for a detailed description of our legal structure. Certain services may not be available to attest clients under the rules and regulations of public accounting.