

AR LEADING PRACTICES (PART 2): IDENTIFYING & ADDRESSING WORKING CAPITAL NEEDS



ANNA TALLO

Senior Product Manager, Deluxe

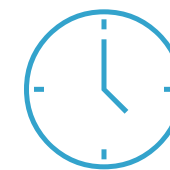
CRAIG JEFFERY

Managing Partner, Strategic Treasurer



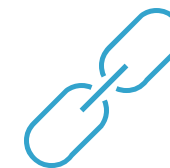
WHAT

Discussing leading practices and key changes to processes or technology that can improve working capital.



WHEN

Thursday, October 13, 2022
2:00 PM – 3:00 PM EDT



WHERE

Live online presentation
Replays at StrategicTreasurer.com



This presentation is provided by Strategic Treasurer and Deluxe

ABOUT THE SPEAKERS

GET TO KNOW TODAY'S SUBJECT MATTER EXPERTS



ANNA TALLO

Anna Tallo is a Senior Product Manager at Deluxe and is responsible for Deluxe's industry-leading remote capture products. Anna has over a decade of experience working in various capacities within treasury management, including product management, client services and support. She is a Certified Treasury Professional, recently earning an MBA from the University of West Alabama. She also holds a Bachelor of Science in Marketing and Bachelor of Arts in Spanish from Auburn University.



CRAIG JEFFERY

Craig Jeffery formed Strategic Treasurer in 2004 to provide corporate, educational and government entities direct access to comprehensive and current assistance with their treasury and financial process needs.

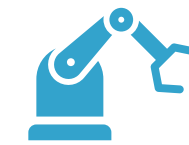
His 30+ years of financial and treasury experience as a practitioner and as a consultant have uniquely qualified him to help organizations craft realistic goals and achieve significant benefits quickly.

TOPICS OF DISCUSSION

KEY AREAS OF FOCUS &
ANALYSIS



FUNDAMENTALS
CONSIDERATIONS



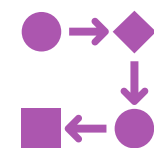
WORKING CAPITAL
DEFINITIONS



**CASH CONVERSION
CYCLE**
ENHANCEMENTS & EFFECTS



**IMPROVING WORKING
CAPITAL**
A DYNAMIC PROCESS



LEADING PRACTICES
OPTIMIZING THE WHOLE

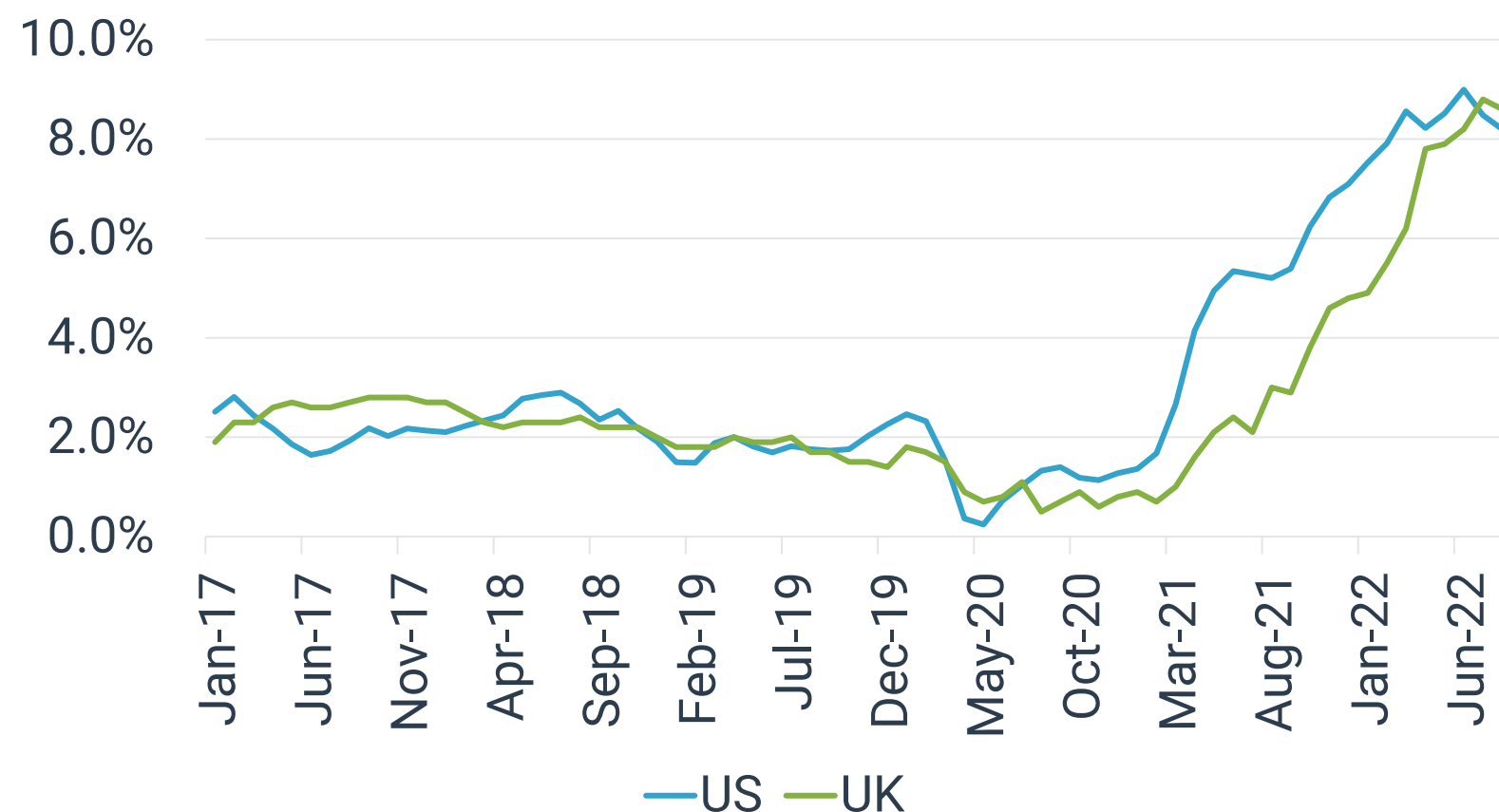


KEY TAKEAWAYS
AND FINAL THOUGHTS

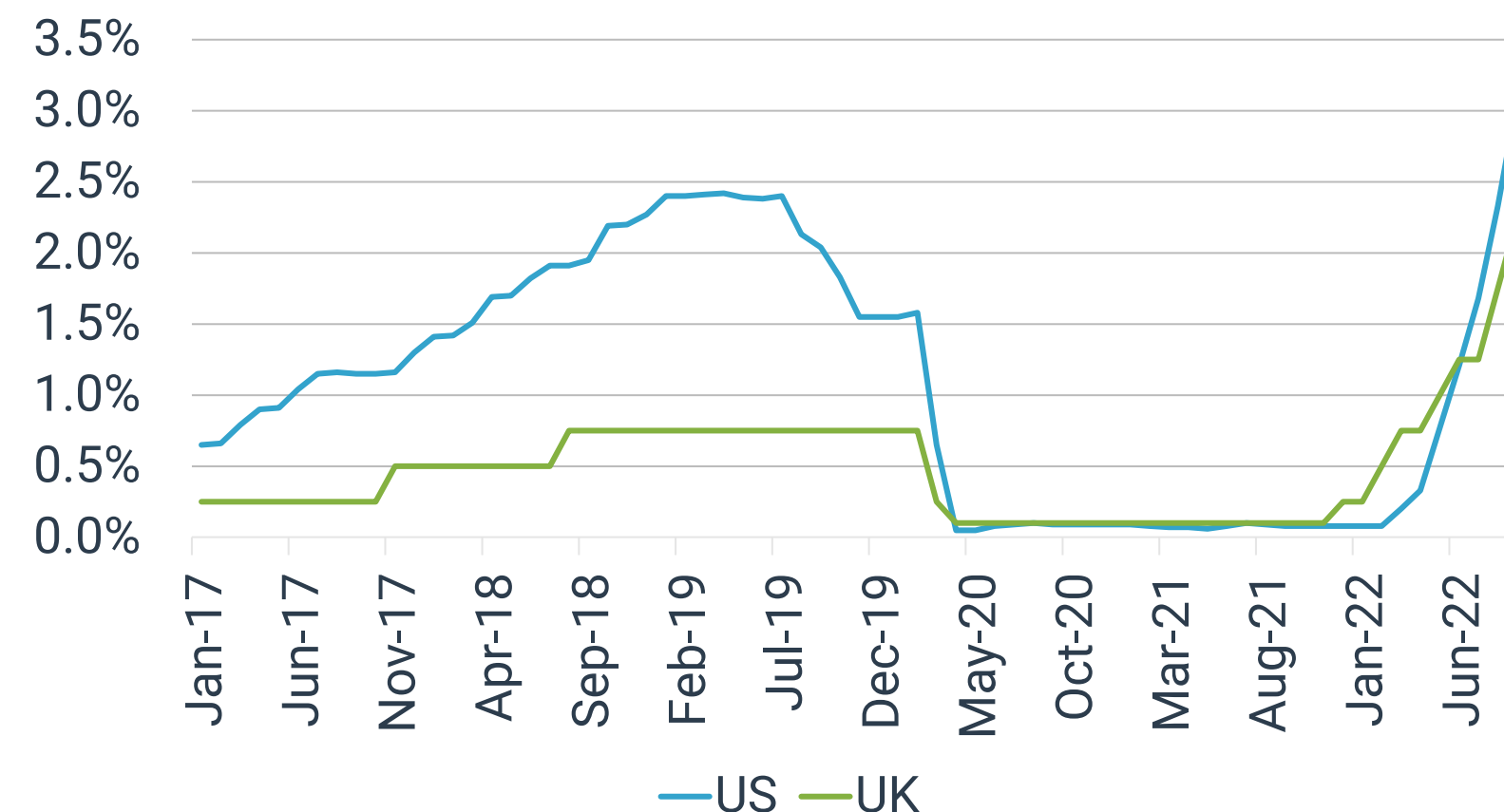
FUNDAMENTALS

CONSIDERING THE MACROECONOMIC ENVIRONMENT

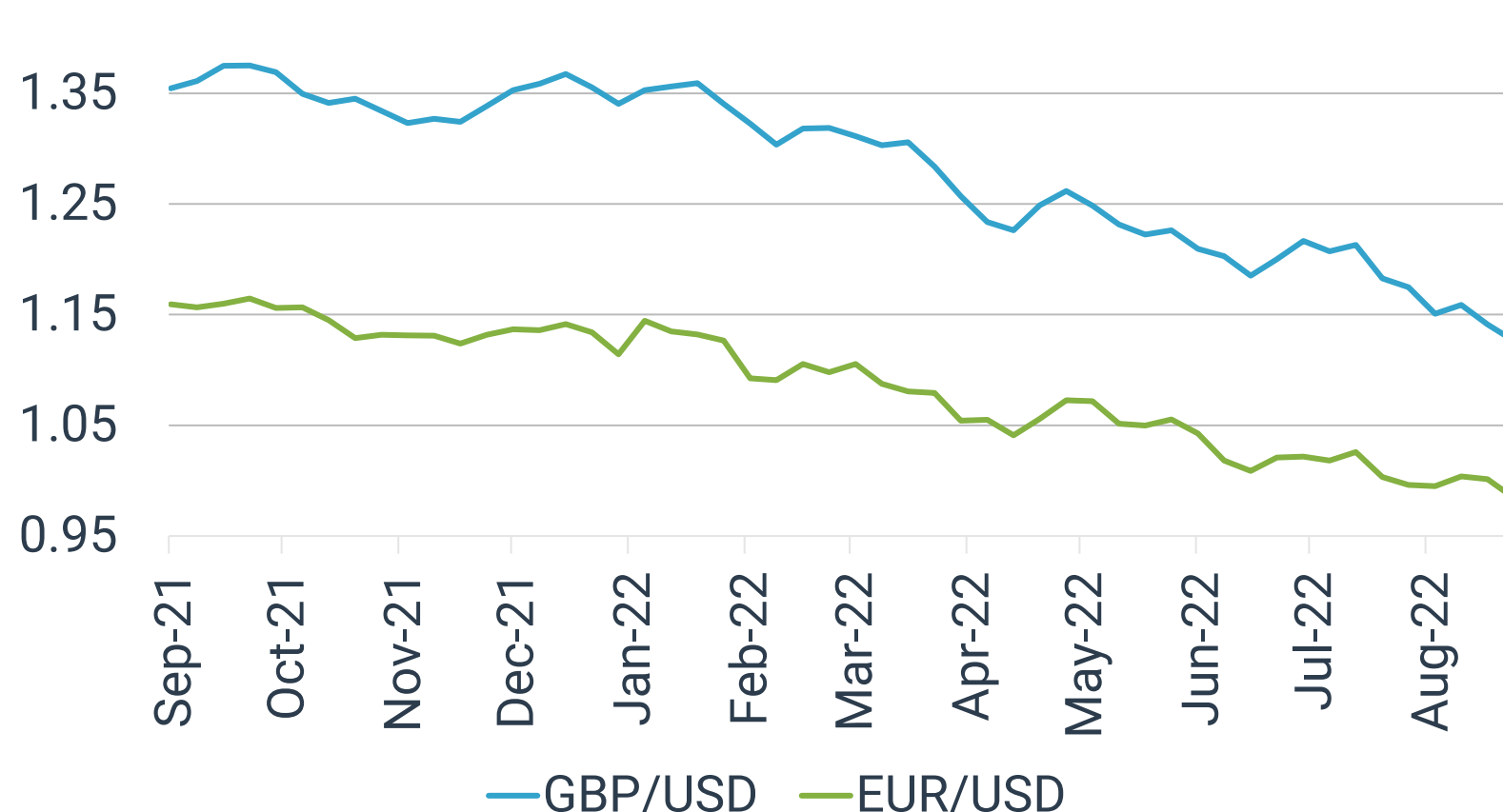
Inflation



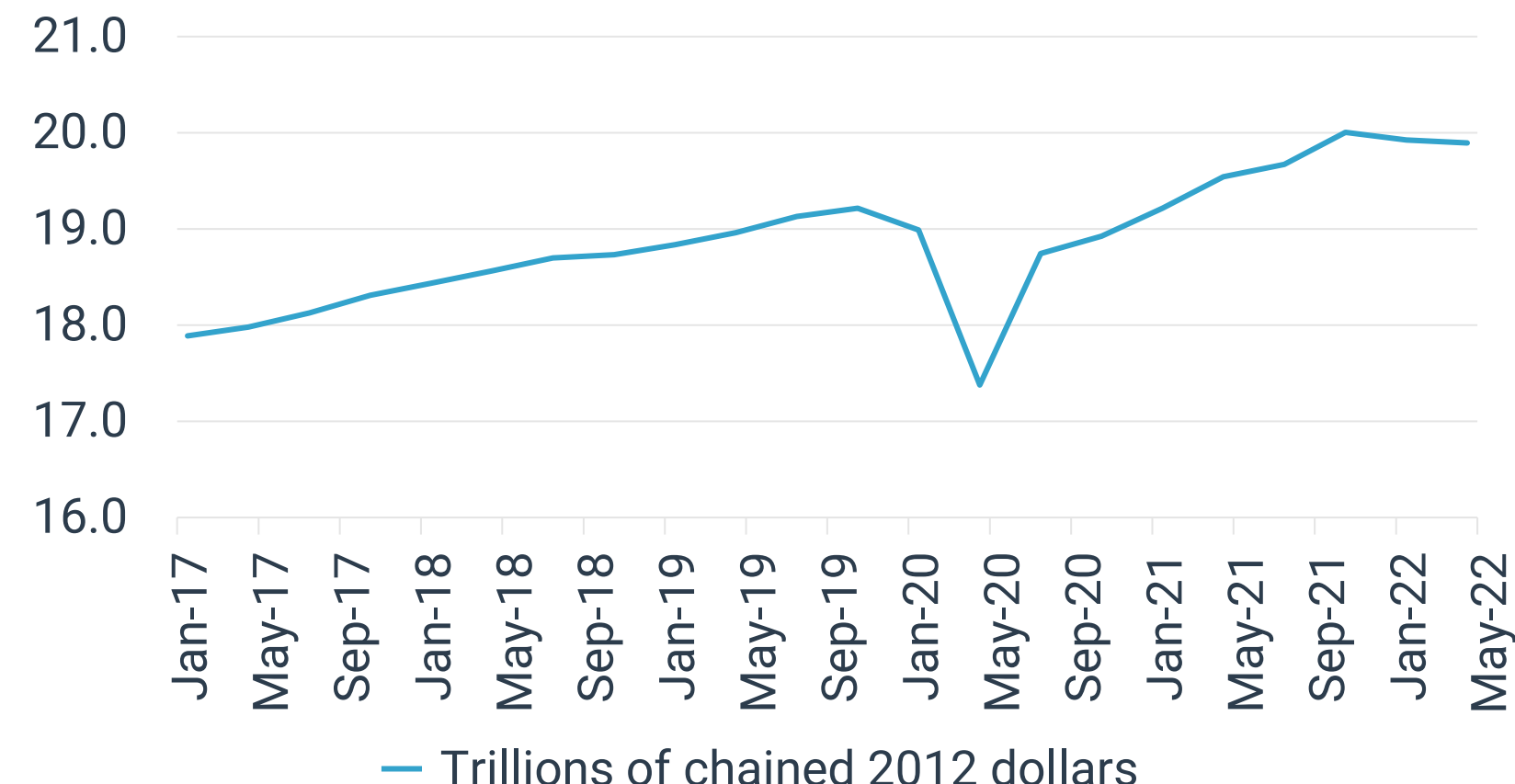
Interest Rate



Foreign Exchange



Real GDP



WORKING CAPITAL

TWO DEFINITIONS



WORKING CAPITAL (WC)

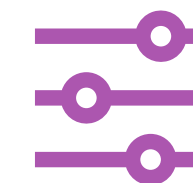
Accounting | Bank

Current assets (includes cash)

- Current liabilities

WC

↑
Ability to meet obligations as they come to you.



NET ADJUSTED WORKING CAPITAL (NAWC)

Treasury

Accounts receivable

+ Inventory

- Accounts payable

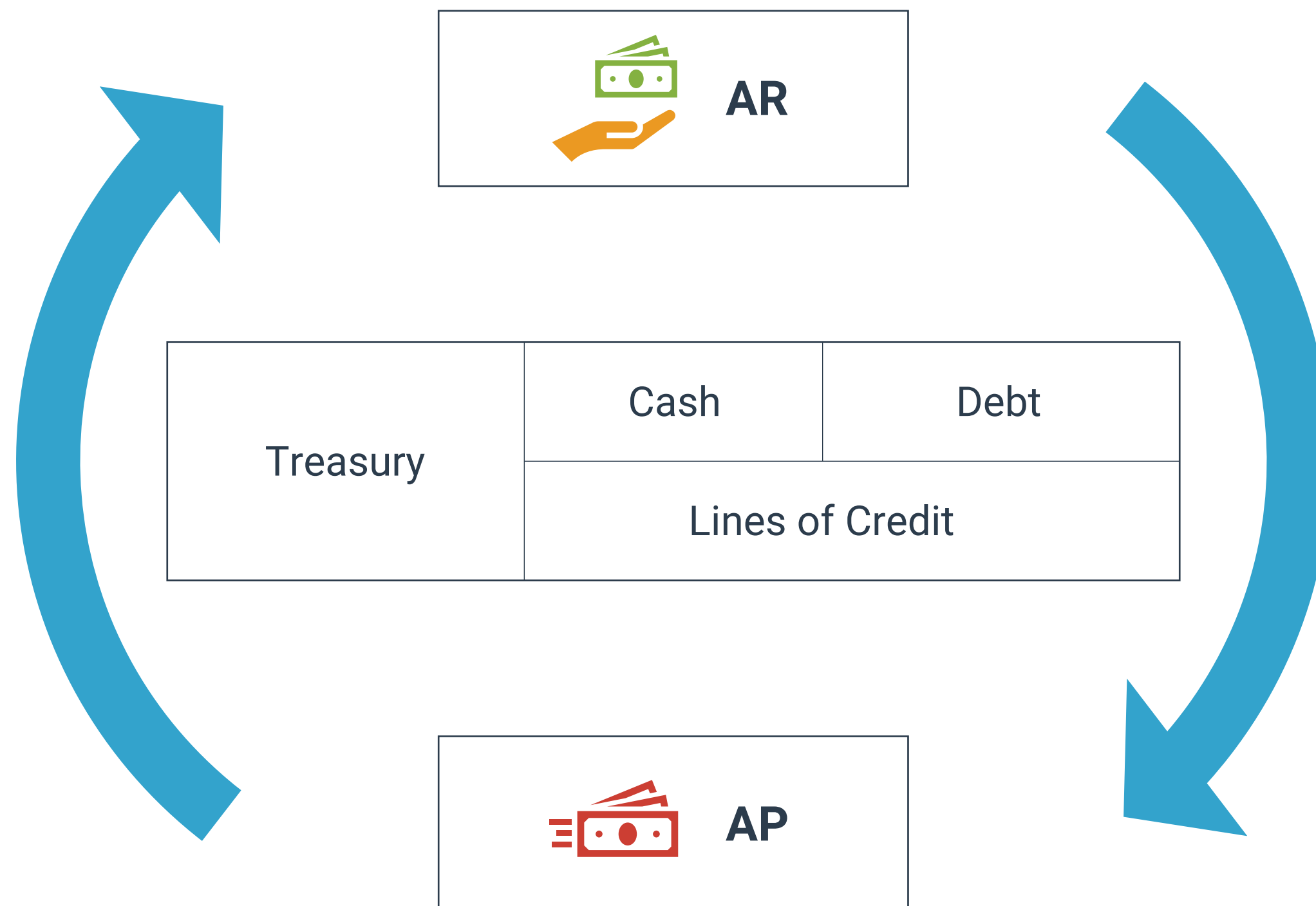
} (doesn't include cash)

NAWC

↑
Cash in cash conversion cycle (CCC)

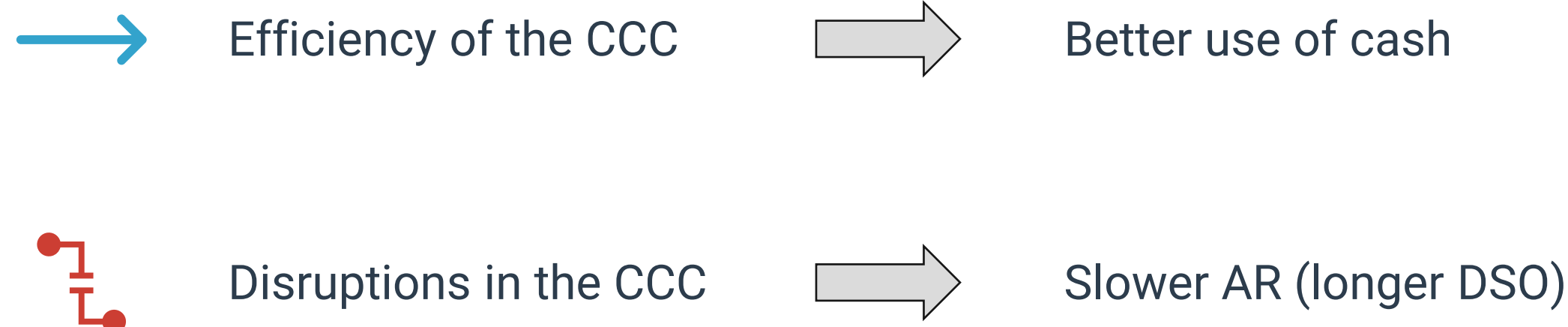
CASH CONVERSION CYCLE

OPTIMIZING LIQUIDITY



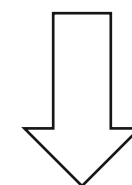
EFFICIENCIES AND DISRUPTIONS

EFFECTS OF THE CCC



Acme \$1.46B Company

DSO	AR
39 days	\$156MM
33 days	\$132MM



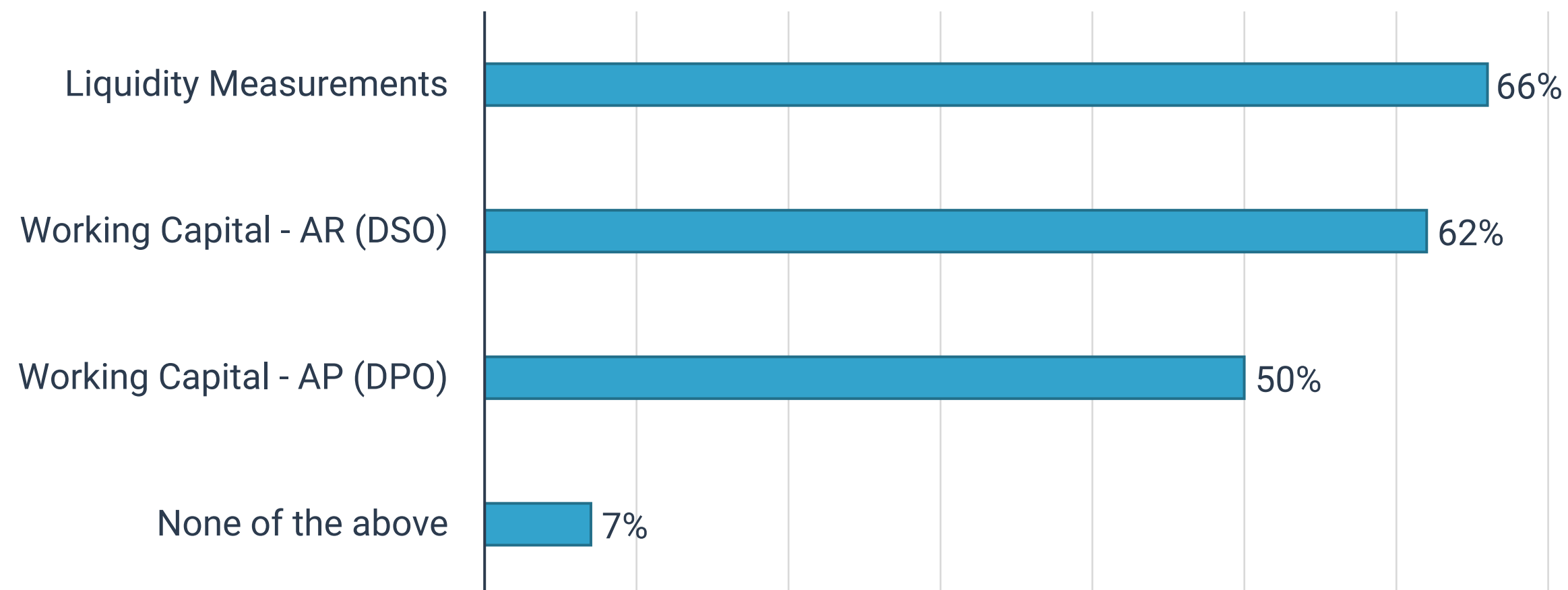
Improving speed leads to improvement in balance sheet

- Reducing DSO by 6 days reduces AR by \$24MM

Cash
+ \$24MM

POLL QUESTION

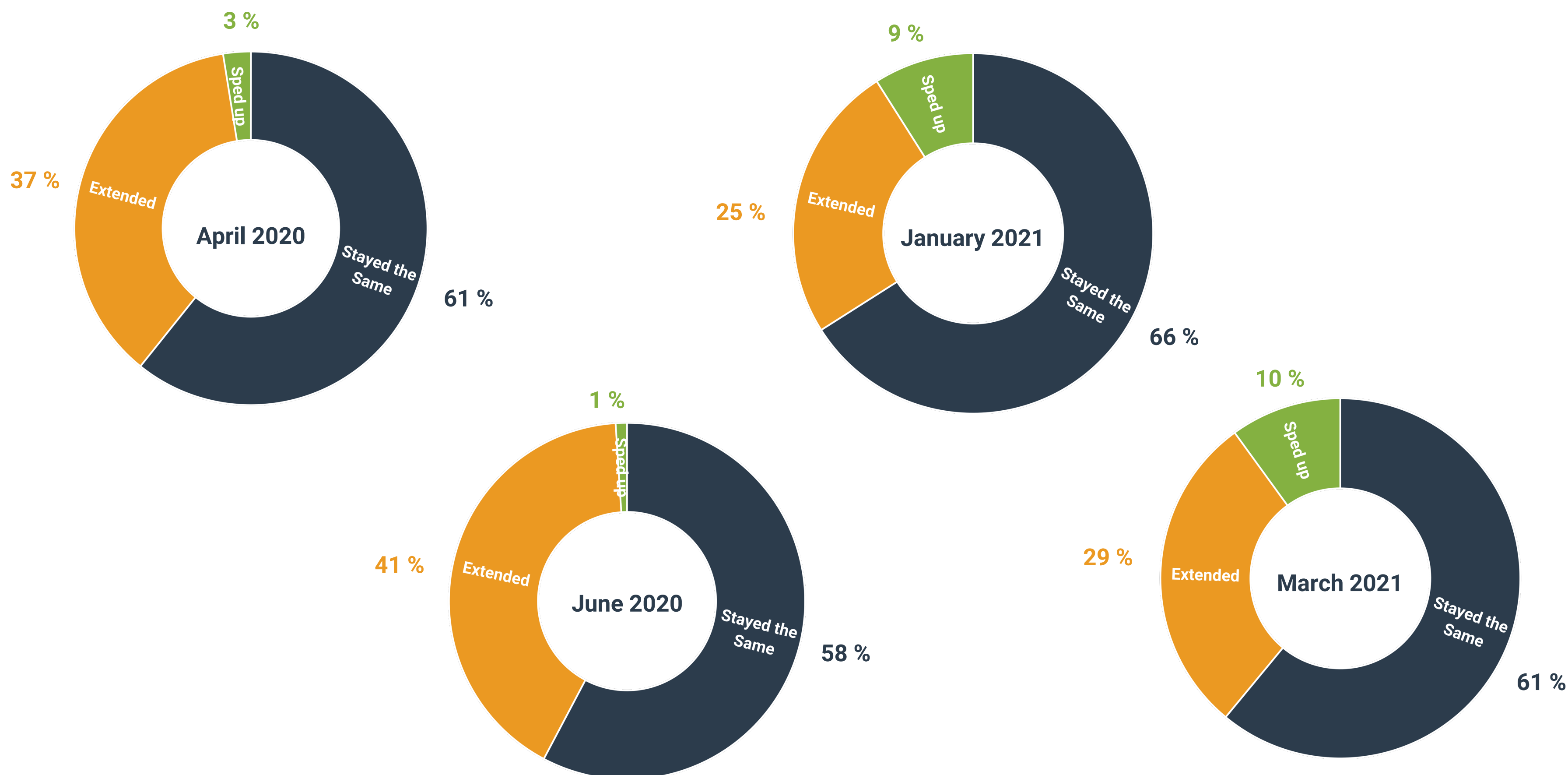
Poll 1 - We focus on the following metrics:



PAYMENTS TIMING

EFFECTED DURING COVID-19

Compared to typical times, our timing for paying vendors and suppliers has:



Source

Note: "I don't know" responses have been omitted.

#GOSTRATEGIC

WHICH ARE PREFERABLE?

FALSE DILEMMAS



WORKING CAPITAL



Do you want more or less?

- Why or why not?

Do you want a larger or smaller AR balance?

- For what reason?
- To what end?

Influencing factors:

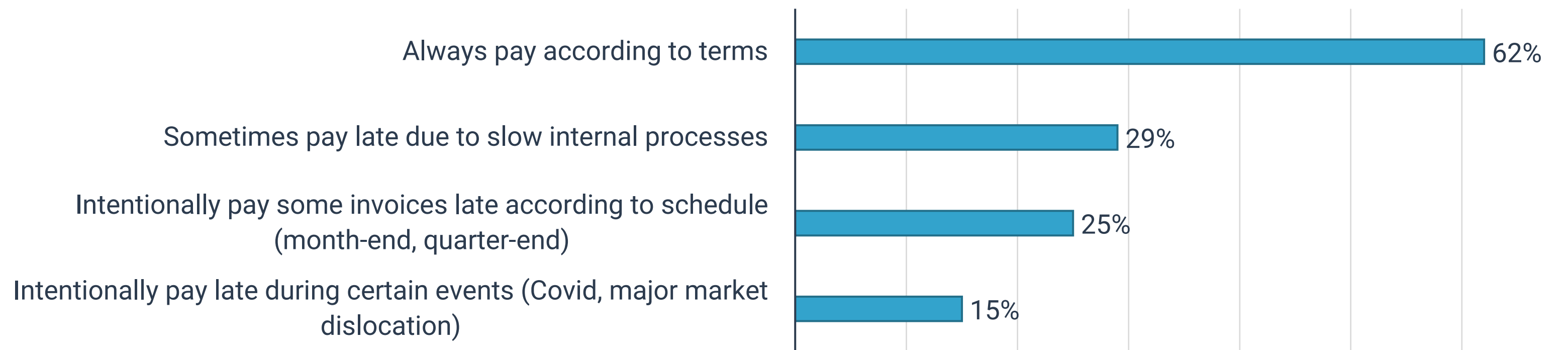
- Increase sales
- Increase efficiency
- Changing business mix
- Decrease inefficiency
- Increase competitiveness
- Others?



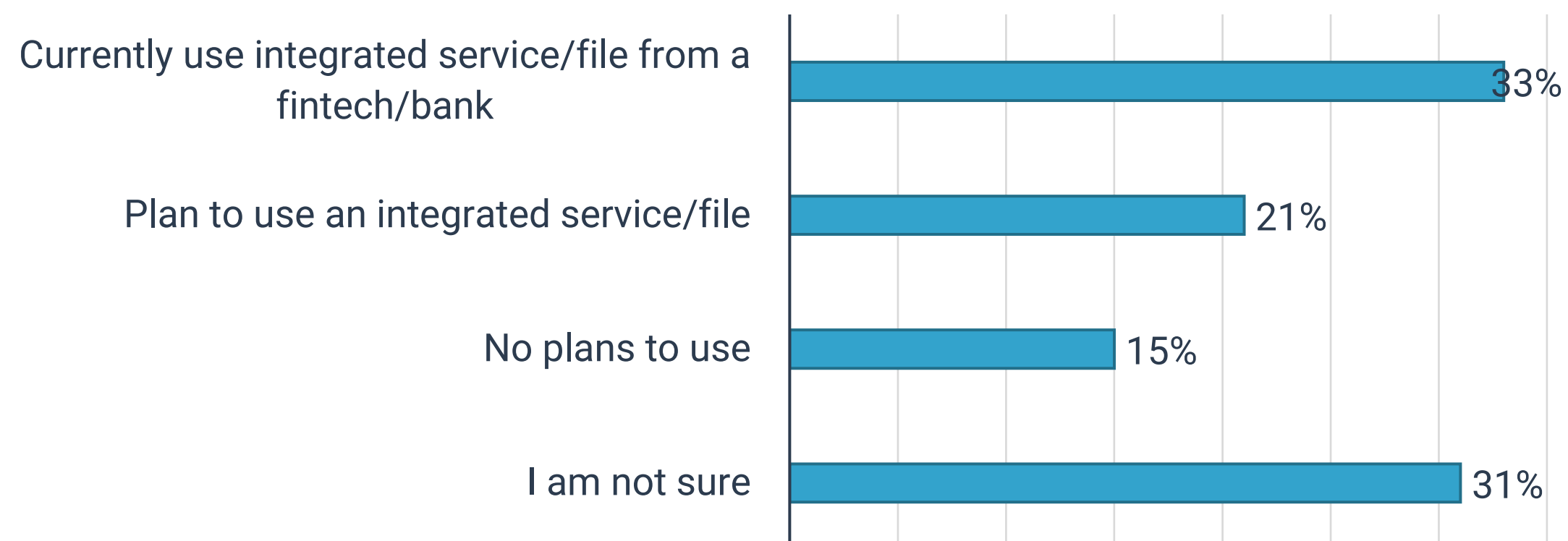
Optimize, not maximize or minimize

POLL QUESTION

Poll 2 - For payables, we:



Poll 3 - For integrated processes (AR) we:



DELAYS IN AR

CAUSES



Slow billing



Incorrect billing



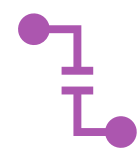
Shipment errors



Defects



Lack of visibility



Broken process



Concerns about the economy



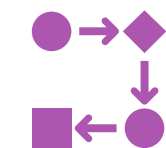
Month-end / period-end window dressing



Poor latency issues



Mail float



Processing float



Collection float



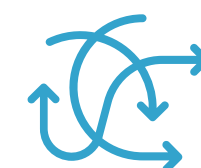
Liquidity flows



Uneven workload



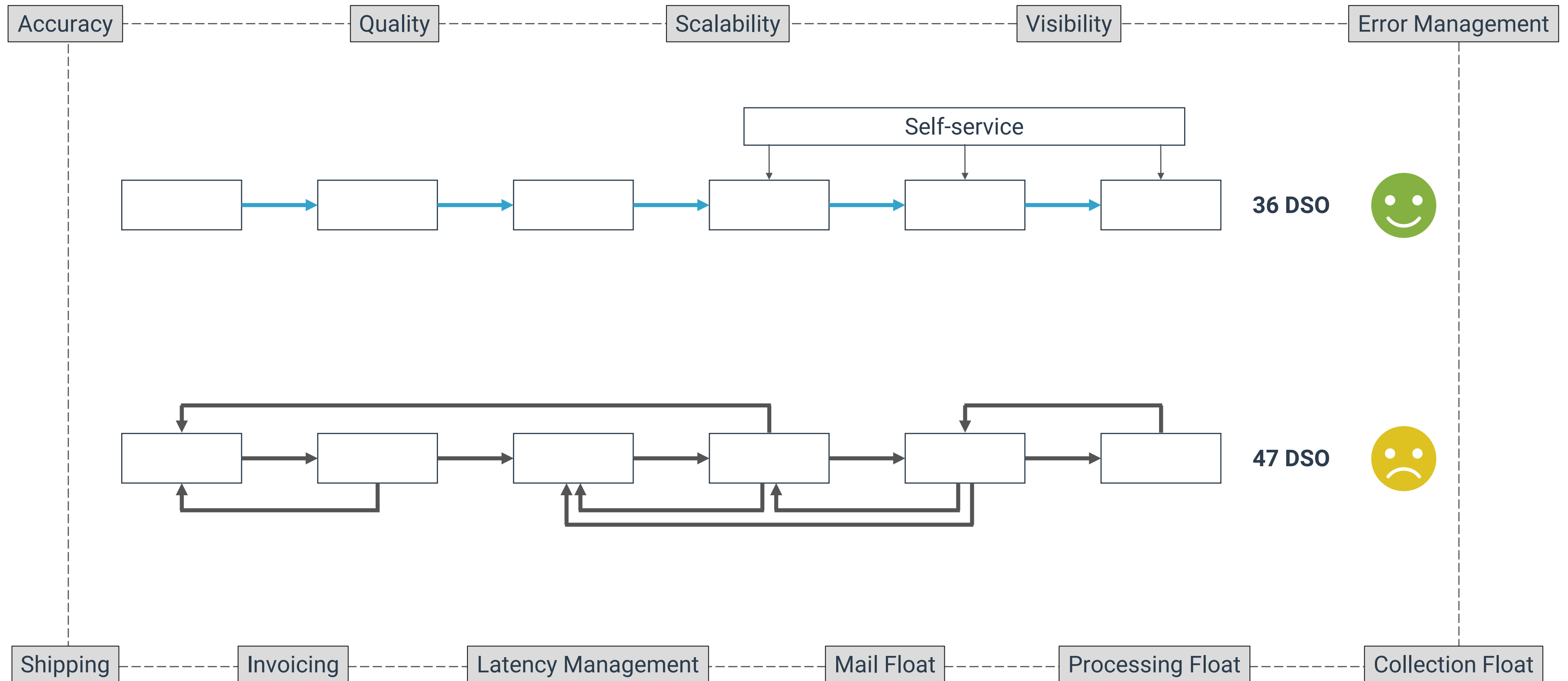
Data and funds reassociation issues
(tracking separately)



Distractions and follow-up

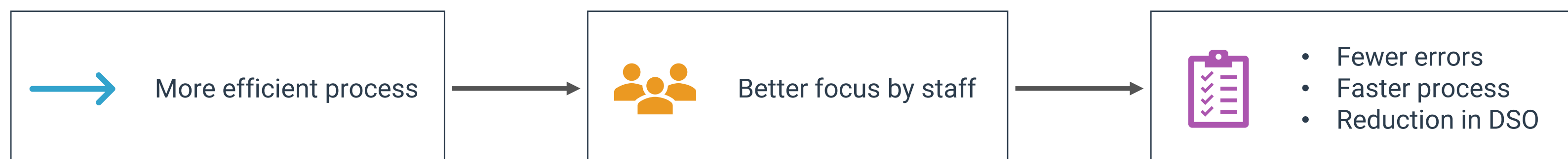
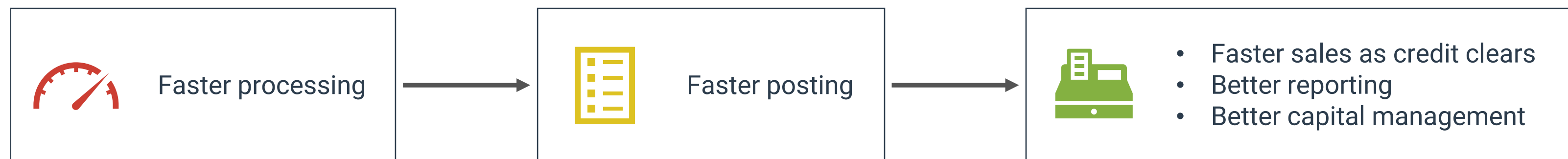
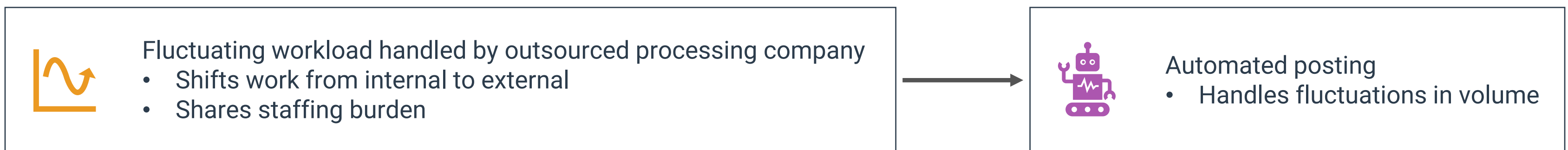
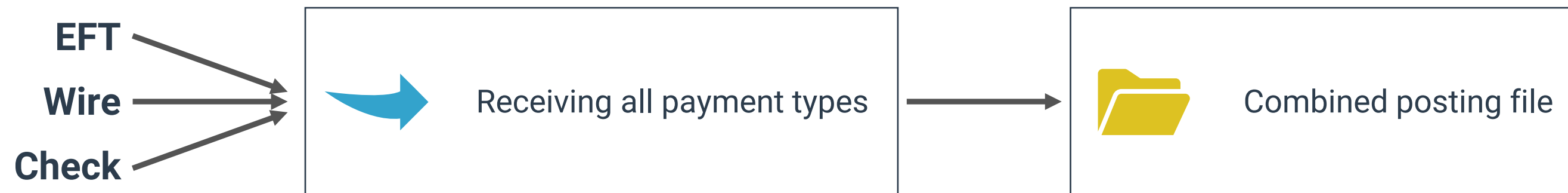
LEADING PRACTICES

TWO PATHS



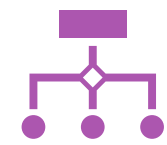
COLLECTION

SOLVING WORKLOAD VARIATION CHALLENGES



PROCESSING

GOALS



Process:



Assign to the customer account



Apply to the individual invoice



Aim to move:

Manual



Automated

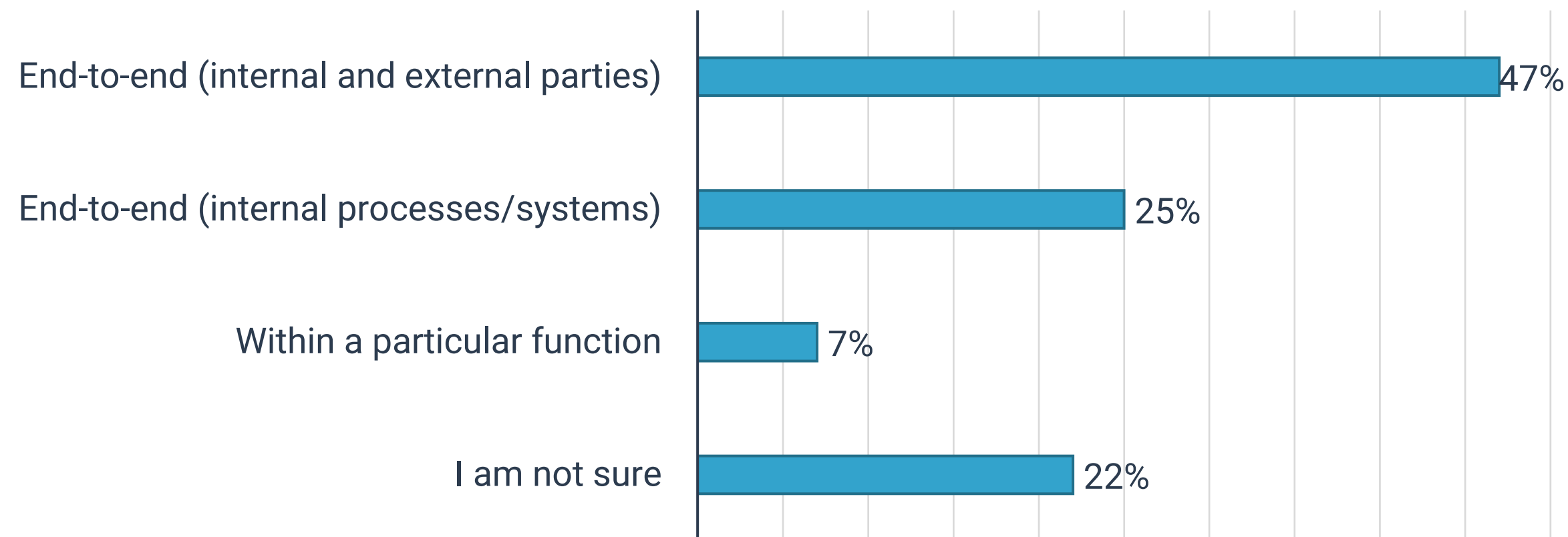
Lower %



Higher %

POLL QUESTION

Poll 4 - Our focus on the business process is most accurately described as:

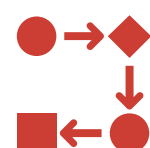
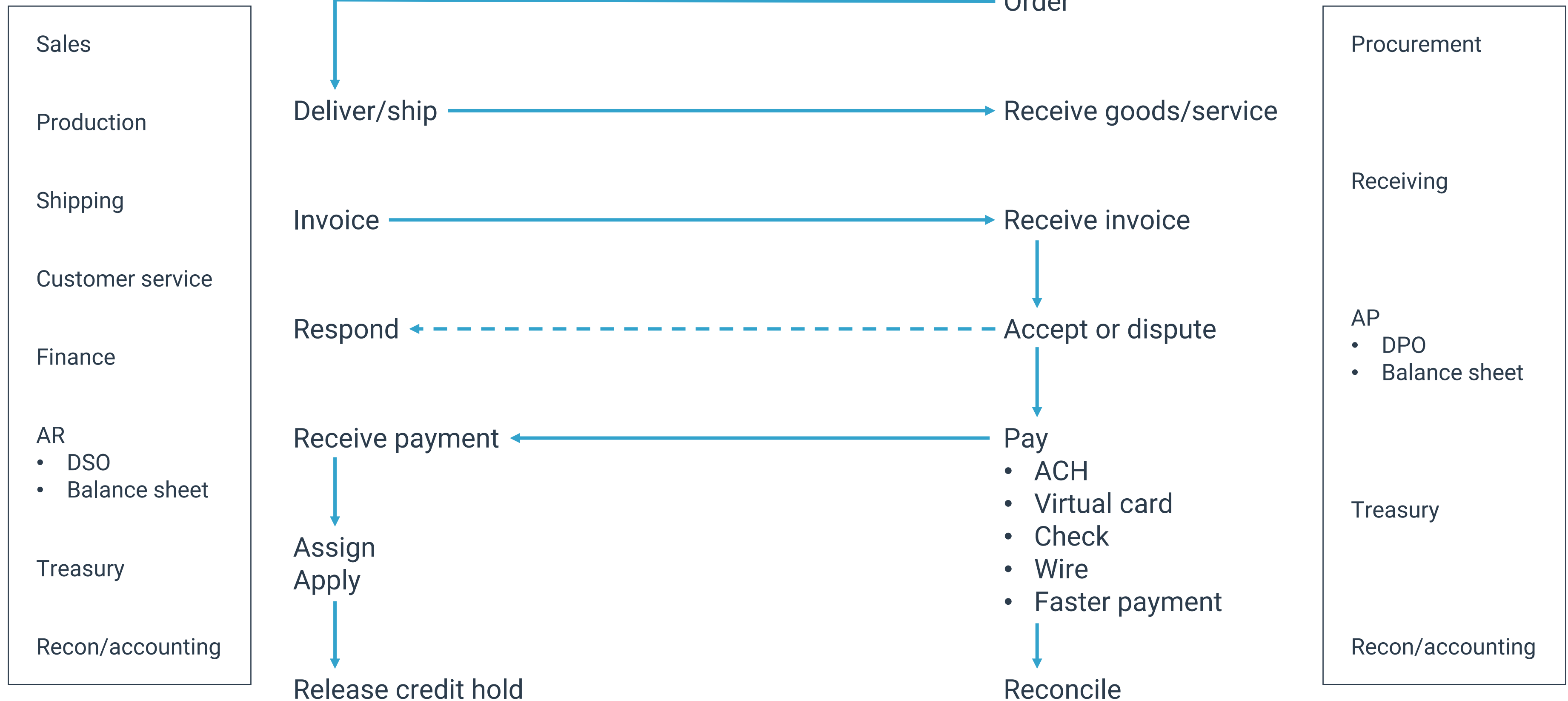


END-TO-END BUSINESS DIALOGUE

OPTIMIZING THE ENTIRE PROCESS

COMPANY

CUSTOMER



What can go wrong by focusing on only part of the process?

TAKEAWAYS

IDEAS AND POINTS TO BRING BACK TO THE OFFICE



WORKING CAPITAL MANAGEMENT IS VITAL

- All leading companies focus on WC
- Liquidity and efficiency matter



THE CCC HAS MANY COMPLEXITIES

- Understand the implications of efficiencies and disruptions in the CCC



TAKE A PROCESS VIEW

- Silo
- End-to-end
- End-to-end from all parties



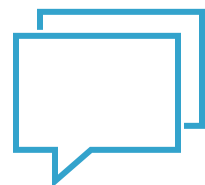
UNDERSTAND LANGUAGE DIFFERENCES

- Words matter
- Understanding is important
- Liquidity, Cash, Working Capital, etc.

LET'S CONNECT

DON'T LET THE LEARNING END HERE...
CONTACT US WITH ANY FUTURE QUESTIONS.

Thank you for your interest in this presentation and for allowing us to support you in your professional development. Strategic Treasurer and our partners believe in the value of continued education and are committed to providing quality resources that keep you well informed.



STRATEGIC TREASURER

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🎧 The Treasury Update Podcast

💻 [linkedin.com/in/strategictreasurer/](https://www.linkedin.com/in/strategictreasurer/)



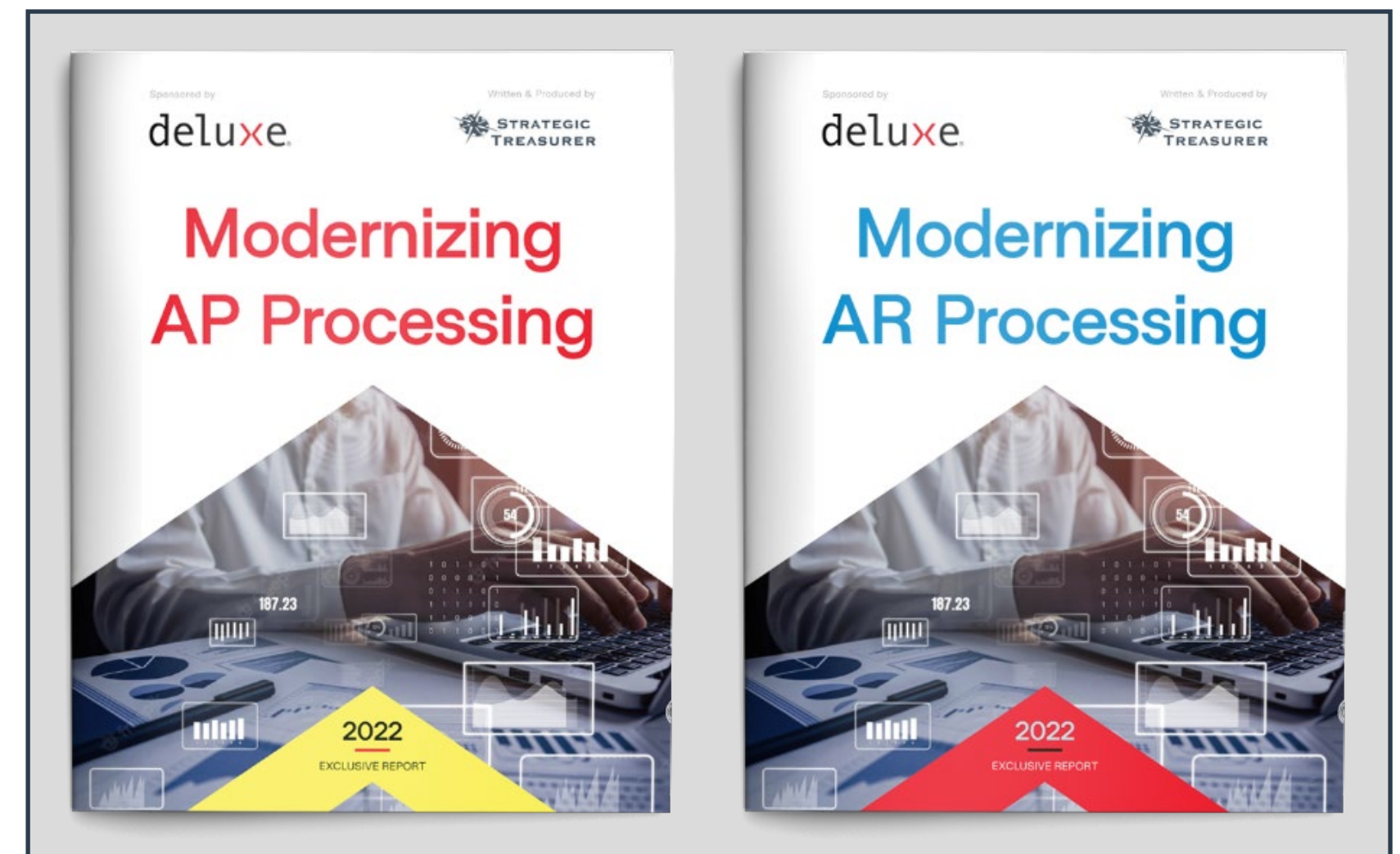
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SURVEY REPORTS

Download the 2022 Modernizing AP/AR Processing Reports for in-depth commentary.



Download Reports