

# LIQUIDITY MANAGEMENT: MULTIPLE CROSS-CURRENTS, MULTIPLE LEVERS



## VIKAS SHAH

Chief Revenue Officer, LSQ

## CRAIG JEFFERY

Managing Partner, Strategic Treasurer



### WHAT

Considering the changing macro-economic environment and how traditional and new levers can help companies navigate this turbulence skillfully.



### WHEN

Tuesday, October 18, 2022  
11:00 AM – 12:00 PM EDT



### WHERE

Live online presentation  
Replays at [StrategicTreasurer.com](https://StrategicTreasurer.com)



FP&A®

Certified Corporate  
Financial Planning &  
Analysis Professional

This presentation is provided by Strategic Treasurer and LSQ.

# ABOUT THE SPEAKERS

## GET TO KNOW TODAY'S SUBJECT MATTER EXPERTS



### VIKAS SHAH

Vikas Shah leads growth initiatives as the Chief Revenue Officer of LSQ. Shah brings years of experience in procurement, supply chain management, working capital, payments, and trade finance. Prior to LSQ, Shah led product strategy, business development, marketing and sales for enterprise software companies such as Taulia and SuccessFactors, both now part of the SAP Cloud business. Shah is passionate about business lending and supply chain finance having helped several small, mid, and large corporates achieve automation, optimize working capital and digitize payments for their customers and suppliers.



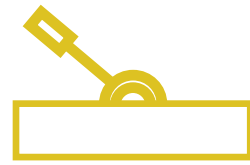
### CRAIG JEFFERY

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



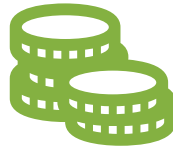
## LEVERS

OPTIMIZING LIQUIDITY



## PAYMENT TIMING

SCF & PAY LATER



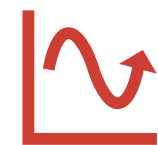
## SUPPLY CHAIN FINANCE

LEVERAGING EXCESS CAPITAL



## AR FINANCING

HOW INVOICE FINANCING  
WORKS



## VOLATILITY

EFFECTS ON SUPPLY CHAIN  
FINANCE



## KEY TAKEAWAYS

AND FINAL THOUGHTS

# LEVERS TO PULL

## TO OPTIMIZE LIQUIDITY



**Buyer**

Liquidity picture

- Can get paid early
- Automatic access to third-party credit
- Better rates than our credit

- Receive trade credit instead of cash terms

**Supplier**

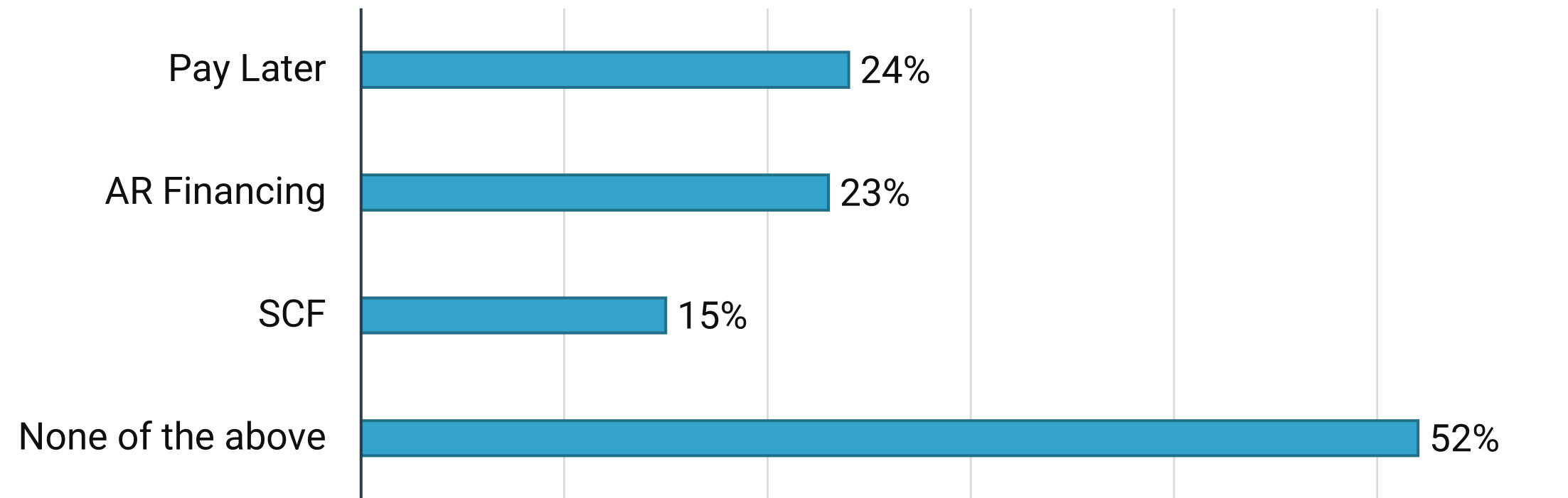
Sell more / sell sooner

- Extend terms
- Leveraging our balance sheet or a company's balance sheet (bank)

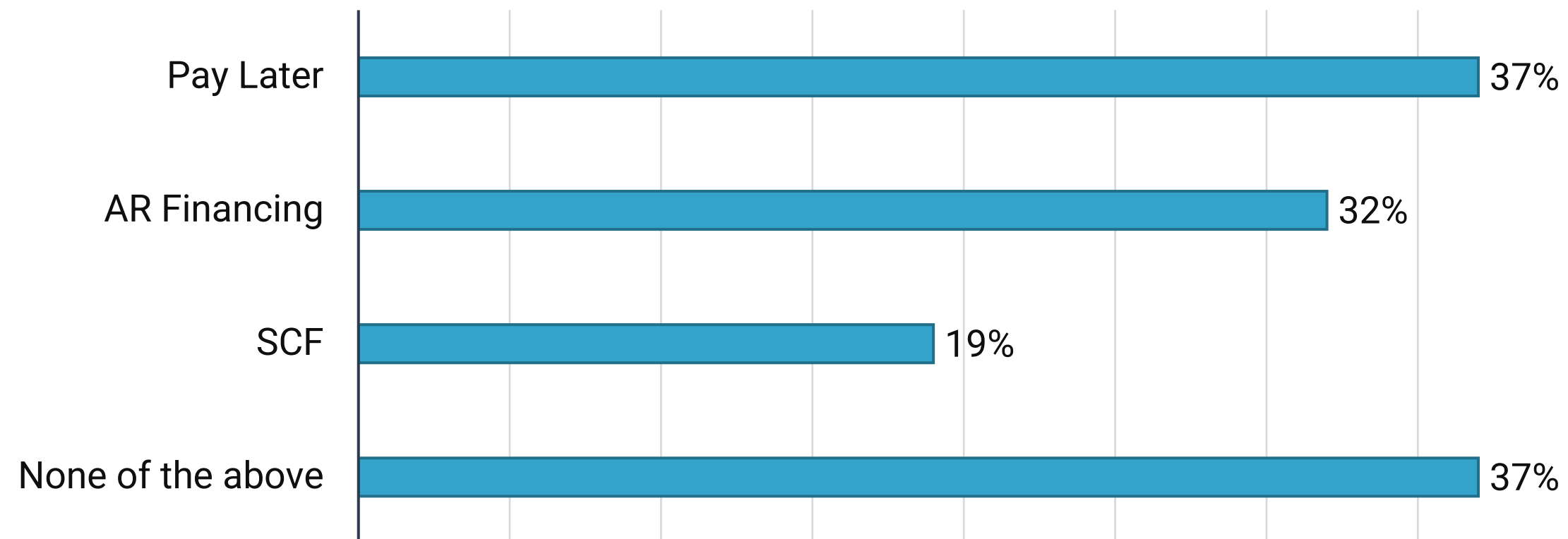
- Helps AR with credit management
- Credit extension
- Credit insurance

# POLL QUESTION

**Poll 1 - Which levers are you using now?**



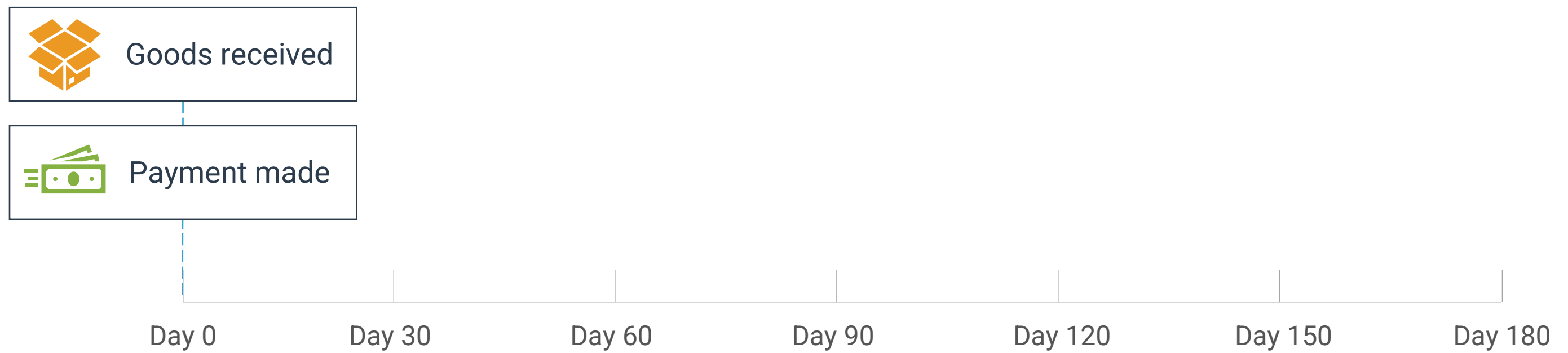
**Poll 2 - Which levers might you use in the future?**



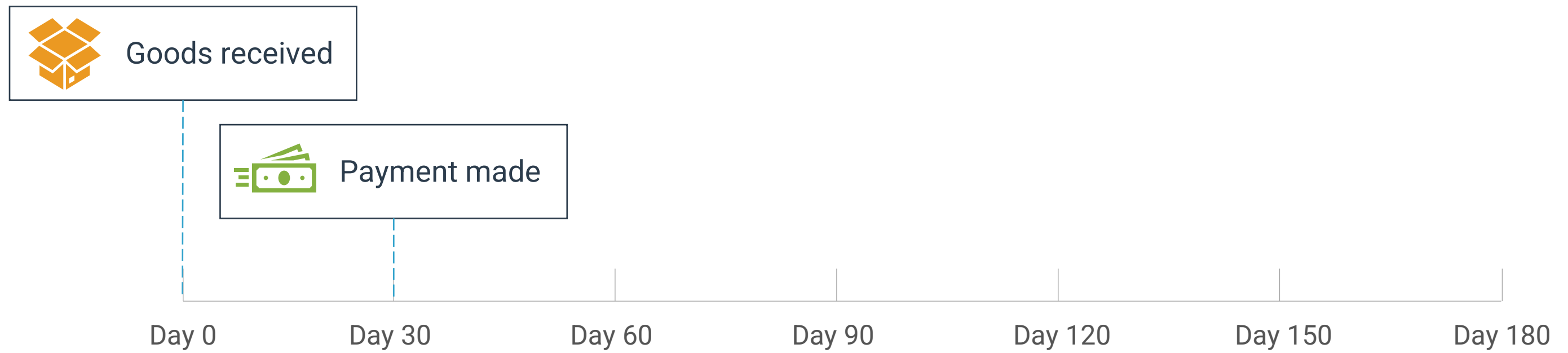
# B2B: PAY LATER

## PURCHASE/PAYMENT TIMING

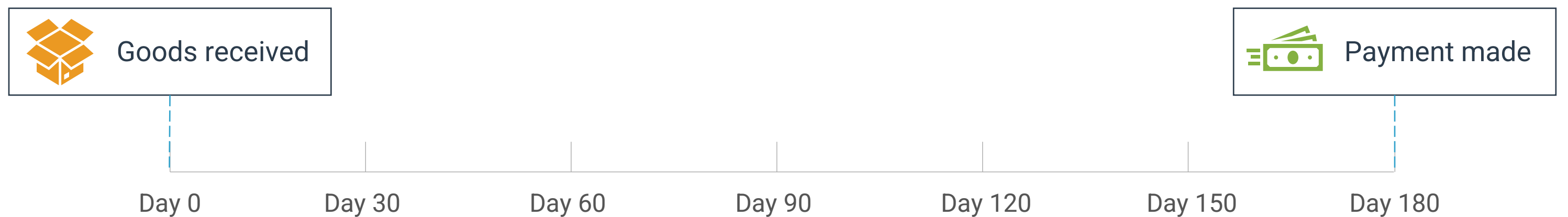
**Immediate  
Payment**



**Credit**



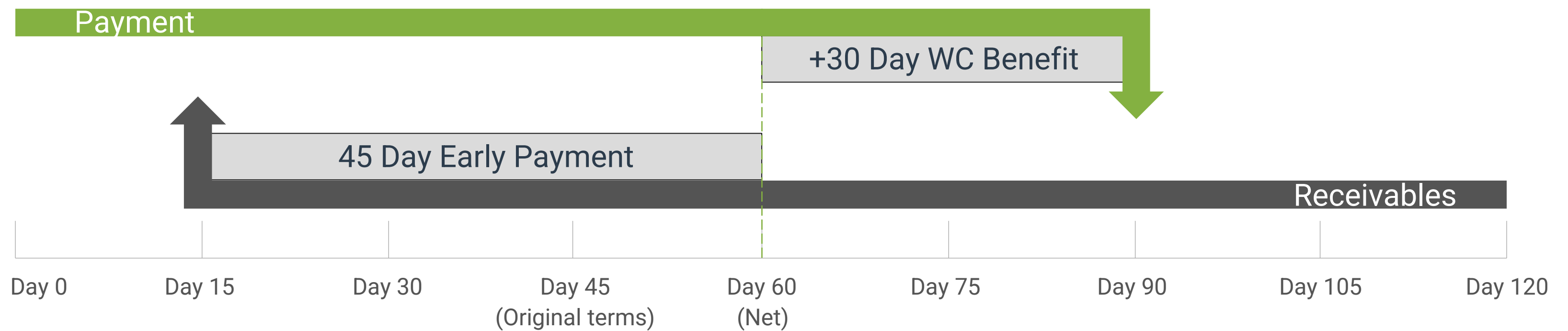
**Pay Later**



# SUPPLY CHAIN FINANCE

## MODELS AND TECHNIQUES

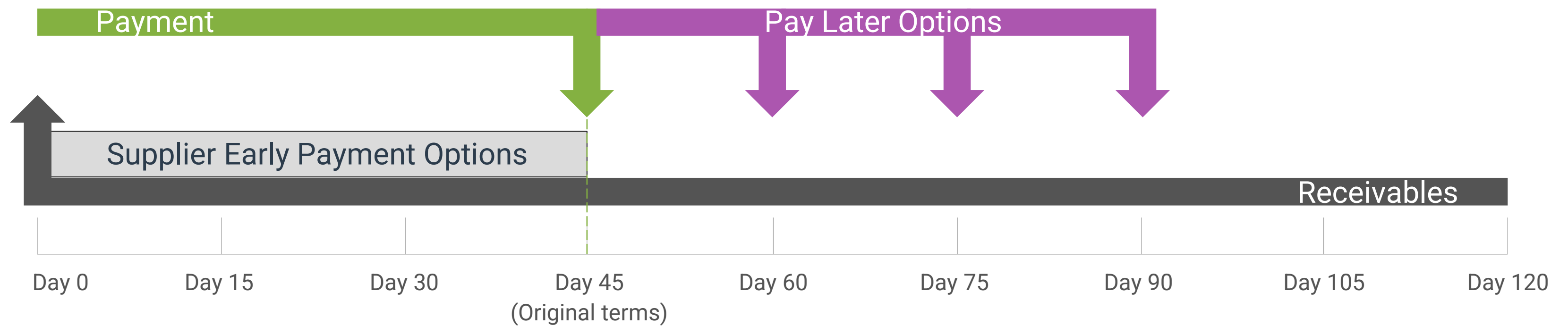
→ Supply chain finance lets buyers utilize a third-party funding source to fund supplier early payments in exchange for a small fee. When combined with a NET terms extension it unlocks available working capital (WC) for all payments.



# PAY LATER EXAMPLE

## PAY BEYOND ORIGINAL TERMS

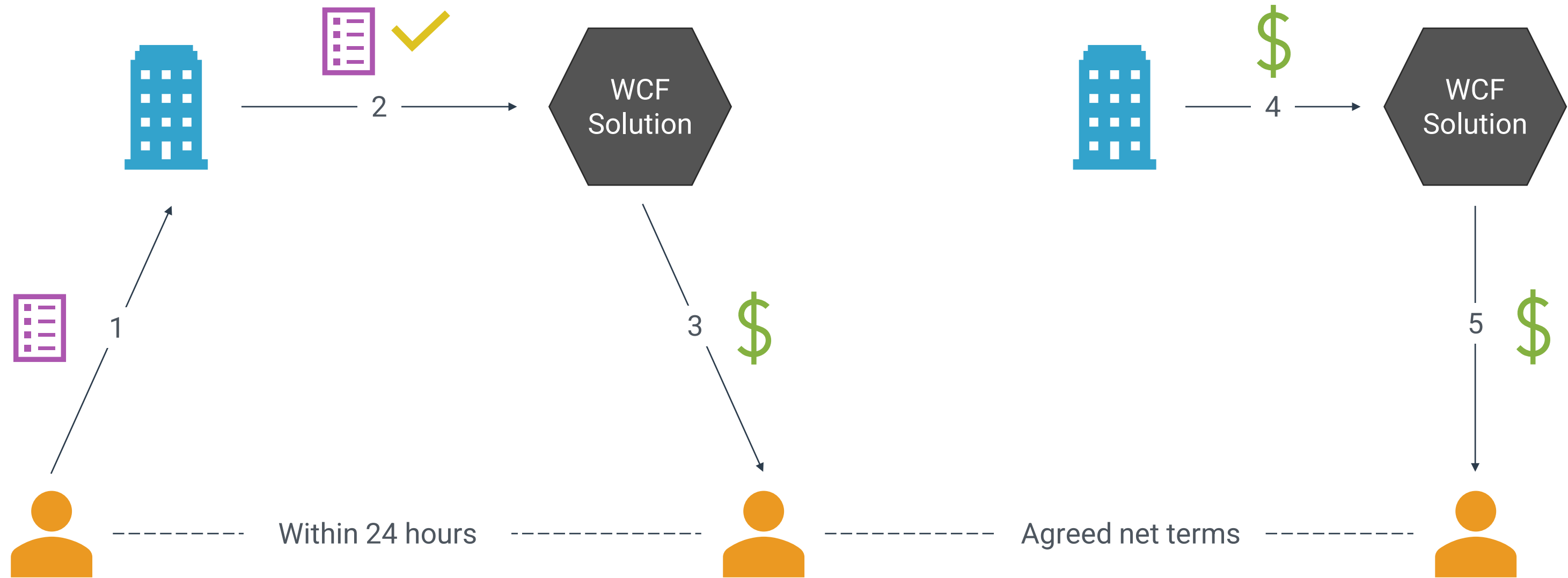
→ Pay Later allows you to unlock immediate working capital by extending payment terms to LSQ while paying your suppliers at term.





# AR FINANCING

## HOW INVOICE FINANCE WORKS



### Step 1

Bill your customer as usual

### Step 2

Working Capital Finance (WCF) Solution purchases your receivable

### Step 3

WCF Solution pays you up to 90% of the receivable within 24 hours

### Step 4

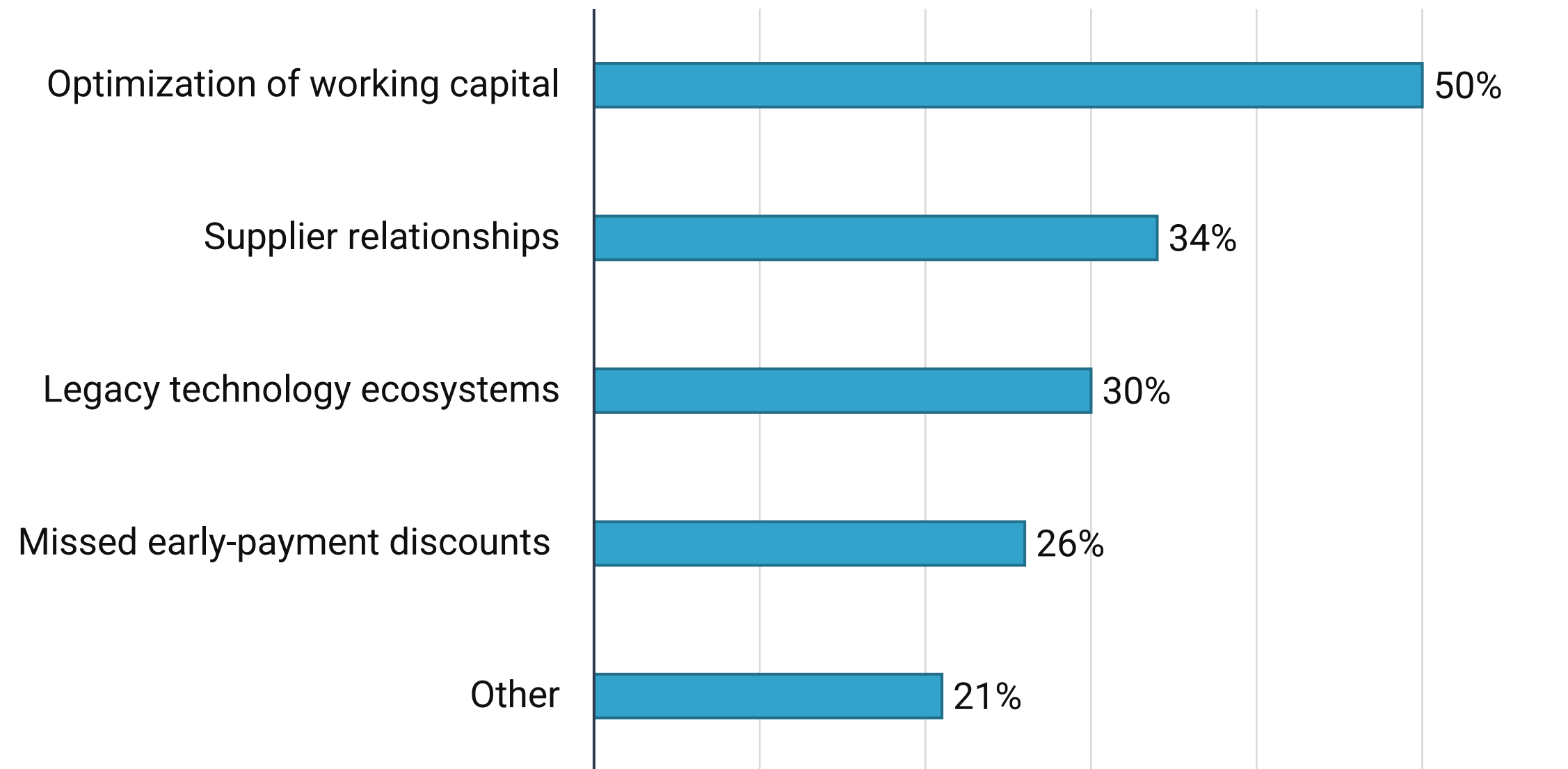
At NET terms, your customer pays WCF Solution for the receivable

### Step 5

WCF Solution pays you the reserve, less their fee

# POLL QUESTION

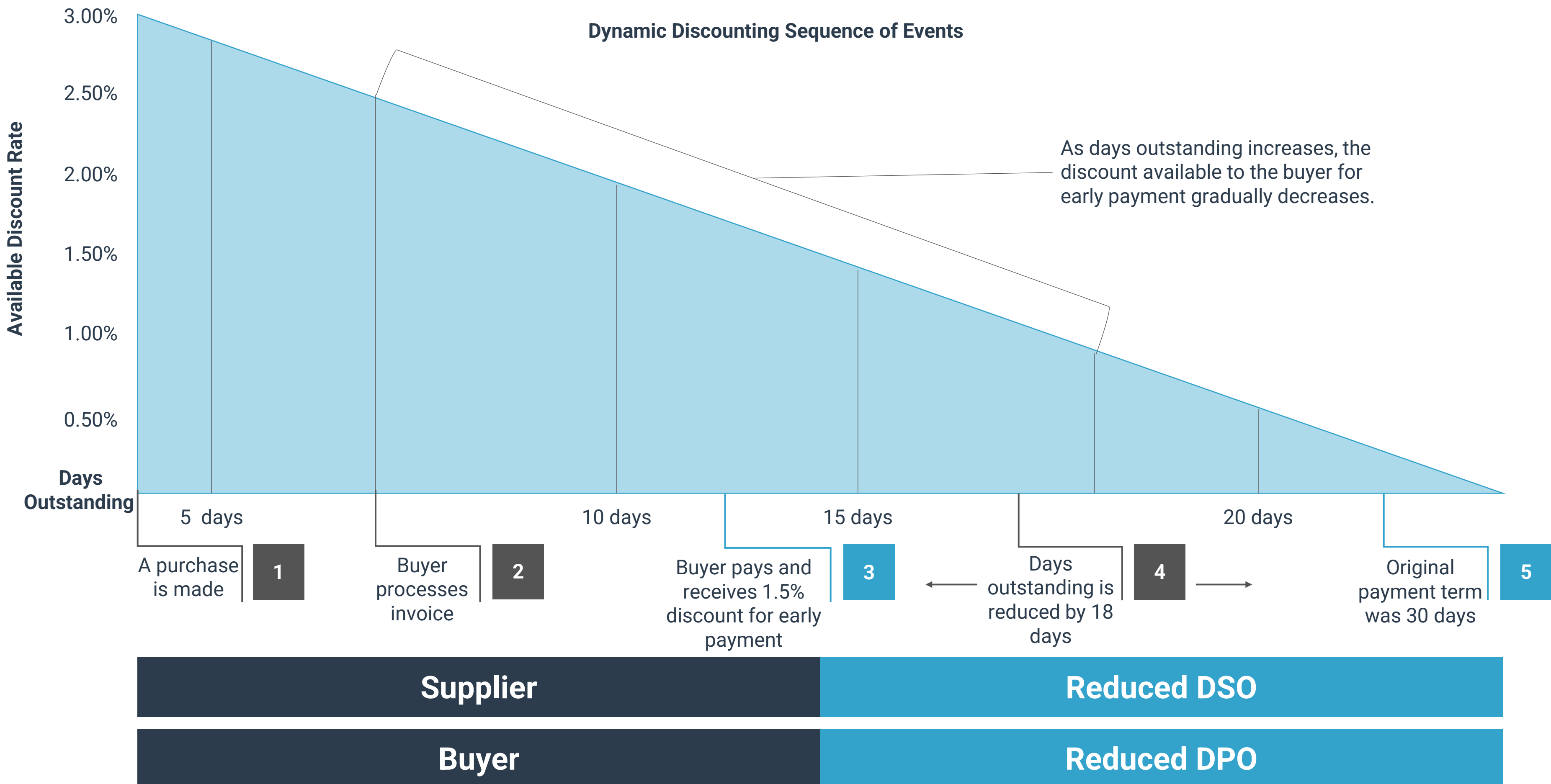
## Poll 3 - What do you see as the largest challenges to your financial supply chain over the coming year?



# SCF vs DYNAMIC DISCOUNTING

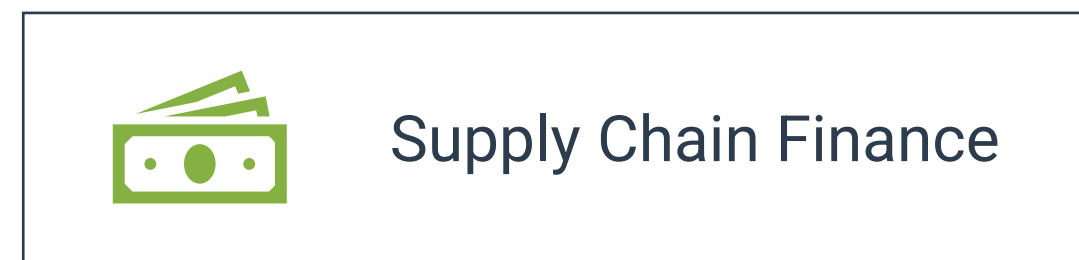
SEQUENCE OF EVENTS – INTERNAL OR 3<sup>rd</sup> PARTY CASH

→ Dynamic discounting leverages excess capital through a sliding scale of discounts.



# PAYMENT SPEED, TRANSPARENCY & CERTAINTY

ENABLED BY SCF & DYNAMIC DISCOUNTING – AR & AP



Allows us to pick when we get paid



Range to get paid

## Customer or user defined

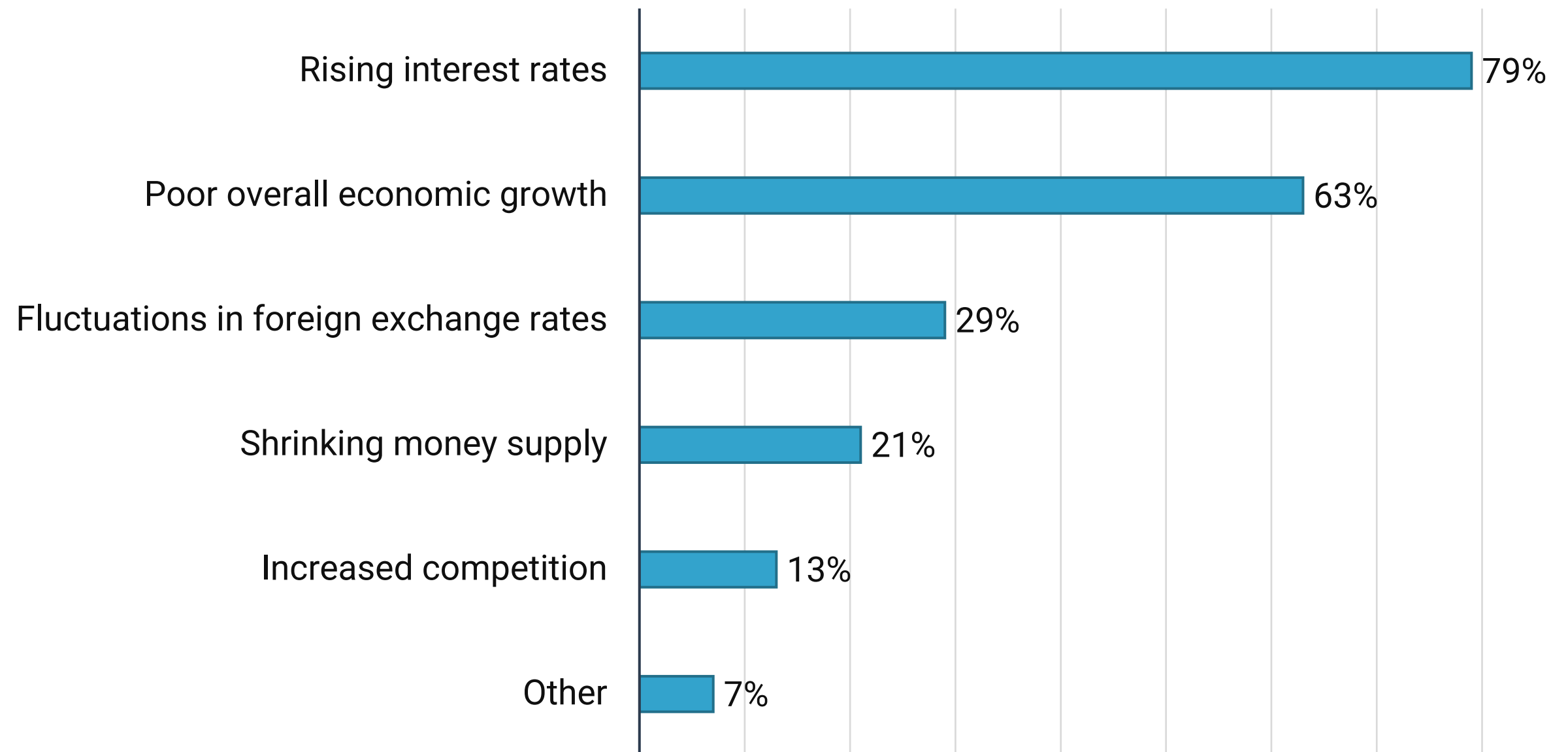
- I have a range of time for payment with payment certainty
- I can pull funds forward if a shortfall emerges

## What motivates faster payment selection?

- Cost of capital
- Liquidity needs
- Financial statement window dressing
- Demands on capital from uneven sales/production/etc.

# POLL QUESTION

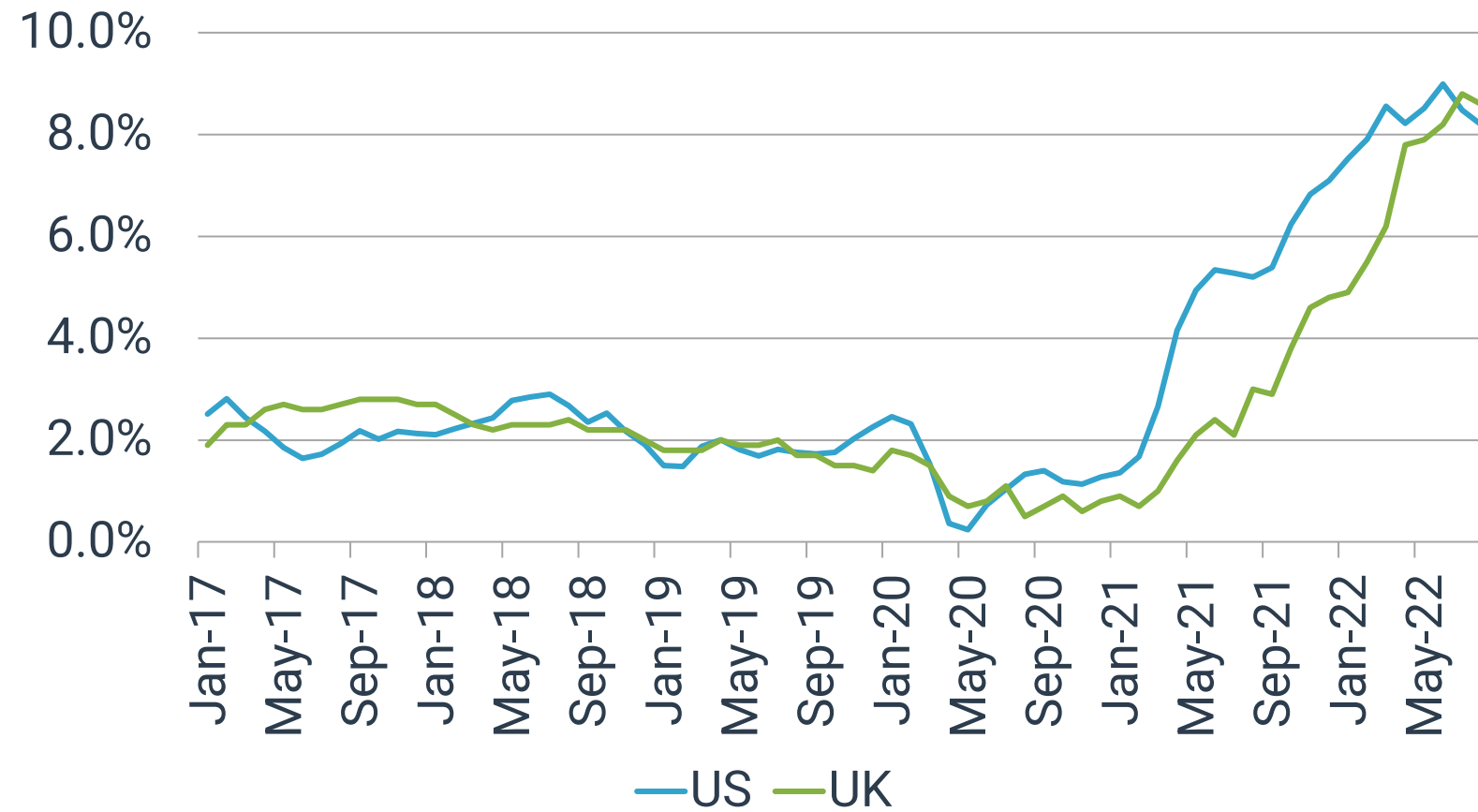
**Poll 4 - Which of the following economic headwinds concern you the most over the coming year? (Select all that apply)**



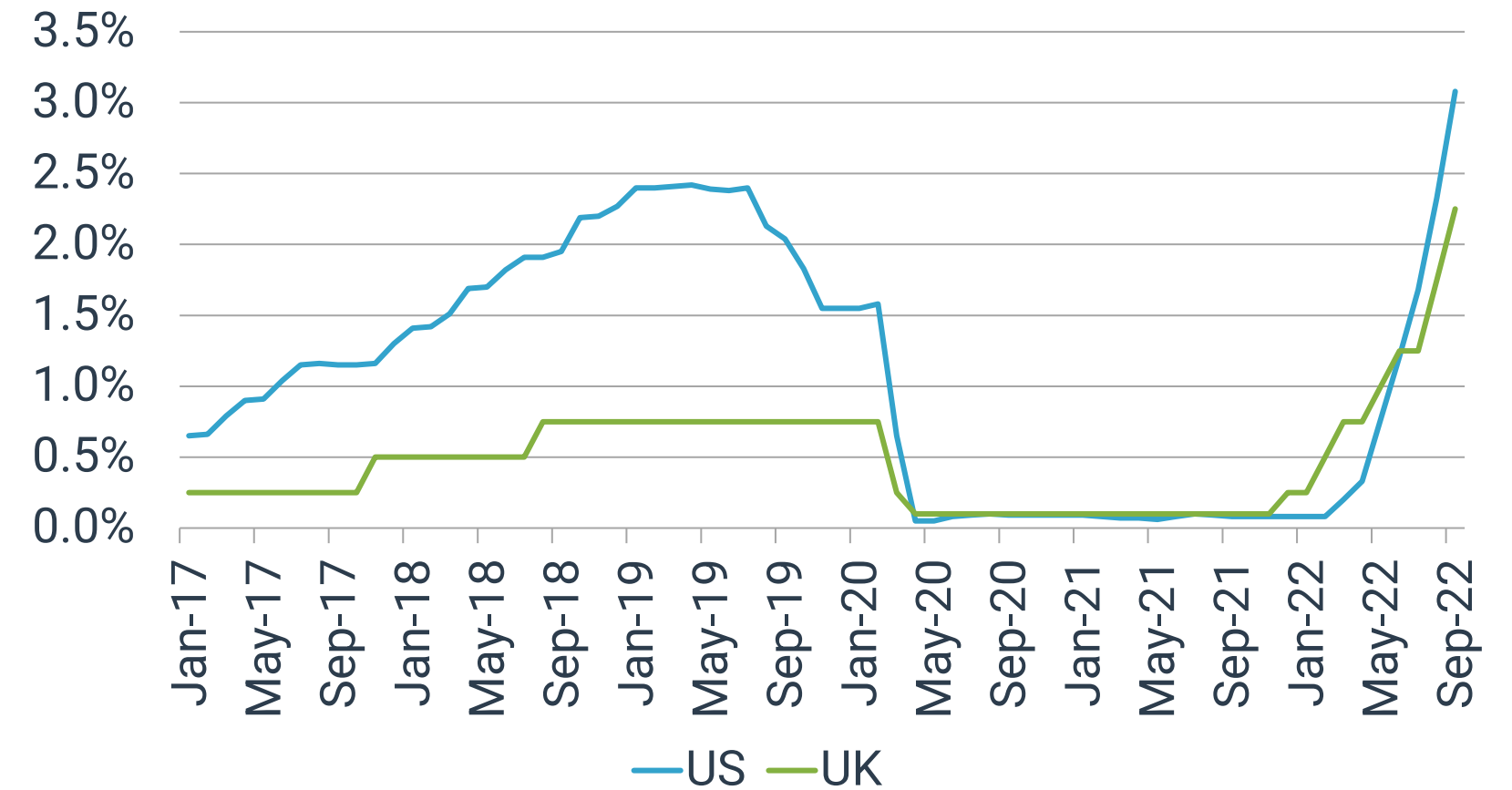
# FUNDAMENTALS

CONSIDERING THE MACROECONOMIC ENVIRONMENT

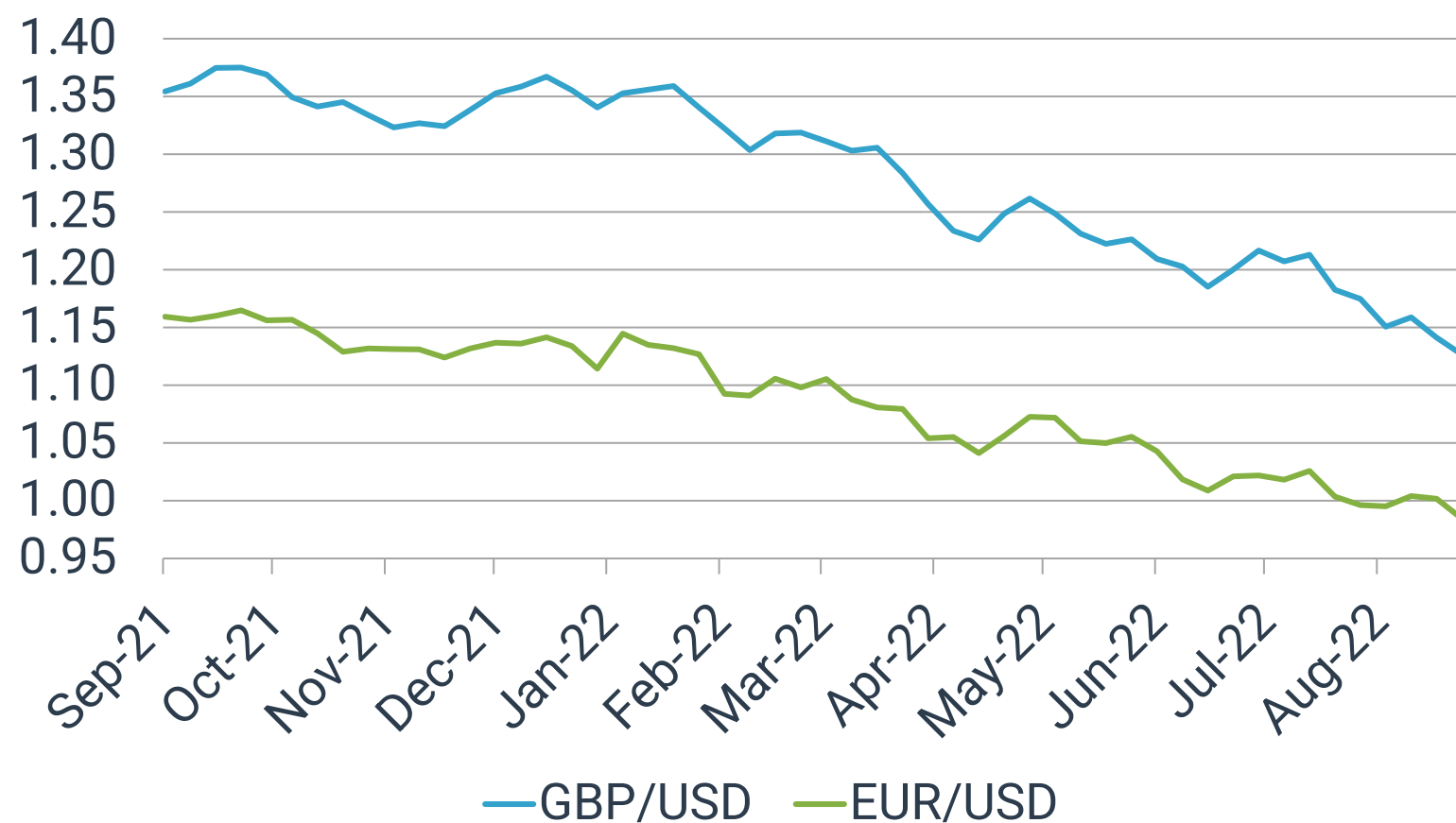
**Inflation**



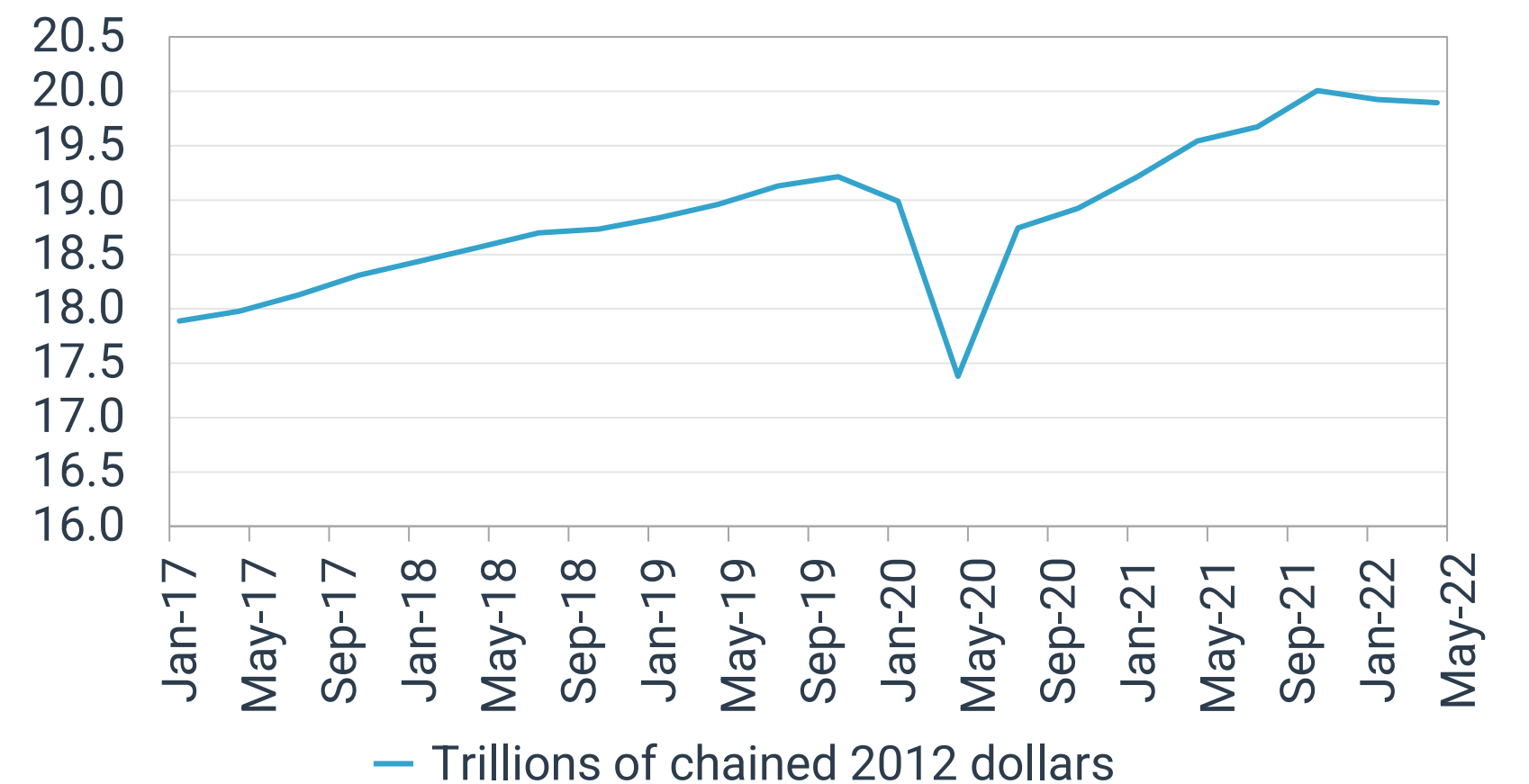
**Interest Rate**



**Foreign Exchange**



**Real GDP**



# GLOBAL RECESSION

LIKELY IN 2023

“

The indicators are not looking good. A global recession – that is what I think we are edging into.

- **General Ngozi Okonjo-Iweala**  
Director, World Trade Organization

”

“

The worst is yet to come, and for many people 2023 will feel like a recession. [...] The world economy remains historically fragile and [...] is headed for stormy waters.

- **IMF World Economic Outlook Report**  
October 2022

”

“

For many countries, recession will be hard to avoid.

- **David Malpass**  
President, World Bank

”

“

Next year is going to feel painful. [...] There's going to be a lot of slowdown and economic pain.

- **Pierre-Olivier Gourinchas**  
Chief Economist, IMF

”

# VOLATILITY

## AND ITS IMPACT ON SCF



Rising rate environment



Suppliers often have:

- Less access to funds
- Higher cost of funds



Greater benefits to pulling funds sooner



Tightening credit environment



Suppliers' concerns:

- Constrained credit
- Higher cost of funds
- Higher cost of insurance



Optionality provides greater flexibility



Economic uncertainty



- Customers delaying payments
- DSO increasing

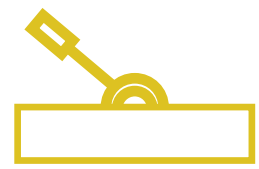


Self-service and selection gives greater flexibility



# FINAL THOUGHTS

## HOW TO PROCEED FROM HERE



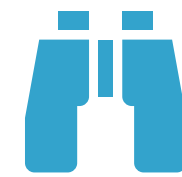
### WHAT LEVERS MATTER

- Understand all potential levers
  - Supply chain financing
  - Pay later
  - AR financing
  - Credit as a Service
  - Other models



### HOW WILL YOU RESPOND

- Response to rising interest rates
- Volatility of inflation on margin
- Contraction and expansion of receivables and payables



### RECOGNIZE

- Monitor macroeconomic headwinds
- Add flexibility to cashflow
- Understand the sources for liquidity for you and suppliers



### SAFETY

- What liquidity margin is needed to handle normal fluctuations?
- Non-standard or severe shifts can best be handled when prepared

# 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

Craig A. Jeffery,  
*Managing Partner*

✉ [craig@strategictreasurer.com](mailto:craig@strategictreasurer.com)

☎ +1 678.466.2222



## LSQ

Vikas Shah  
*Chief Revenue Officer*

✉ [vshah@lsq.com](mailto:vshah@lsq.com)

☎ +1 407.206.0022



## Listen to Episode 217

*Recent Volatility and Crosswinds: Treasury's Response*

[bit.ly/3T9rEtl](https://bit.ly/3T9rEtl)



[Listen now](#)