

SUPPLY CHAIN FINANCE & CASH CONVERSION CYCLE SOLUTIONS

ANALYST REPORT SERIES



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WHAT

Analysis, discussion and takeaways from the latest Treasury Technology Analyst Report.



WHEN

Thursday, March 16, 2023
2:00 – 3:00 PM EDT



WHERE

Live Online Presentation
Replays at StrategicTreasurer.com



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This presentation is provided by Strategic Treasurer.

ABOUT THE SPEAKERS

GET TO KNOW TODAY'S SUBJECT MATTER EXPERTS



PAUL GALLOWAY

Paul Galloway has extensive experience in investment research and decision making, complex modeling, and risk management. He is known for leading teams of professionals, providing solutions to complex problems, building relationships with business leaders, and coming alongside others to help them achieve their goals. Paul earned a BS in Family and Consumer Sciences/Human Sciences from Iowa State University, followed by an MBA, Finance from the University of Iowa. He is a Chartered Financial Analyst (CFA) and a Persian Gulf War veteran, United States Marine Corps.



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



DEFINING THE TERMS

WORKING CAPITAL, CCC & SCF



CASH CONVERSION CYCLE

CHALLENGES, SOLUTIONS &
INNOVATION



SUPPLY CHAIN FINANCE

CHALLENGES & SOLUTIONS



WHO NEEDS SCF?

SIGNS OF NEED



SELECTION & IMPLEMENTATION

GUIDANCE FOR MOVING FORWARD



LEADING PRACTICES

FOR WORKING CAPITAL
INITIATIVES

DEFINING THE TERMS

WORKING CAPITAL, CCC & SCF

Net Adjusted Working Capital (WC):

Accounts receivable + inventory - accounts payable.

Cash Conversion Cycle (CCC):

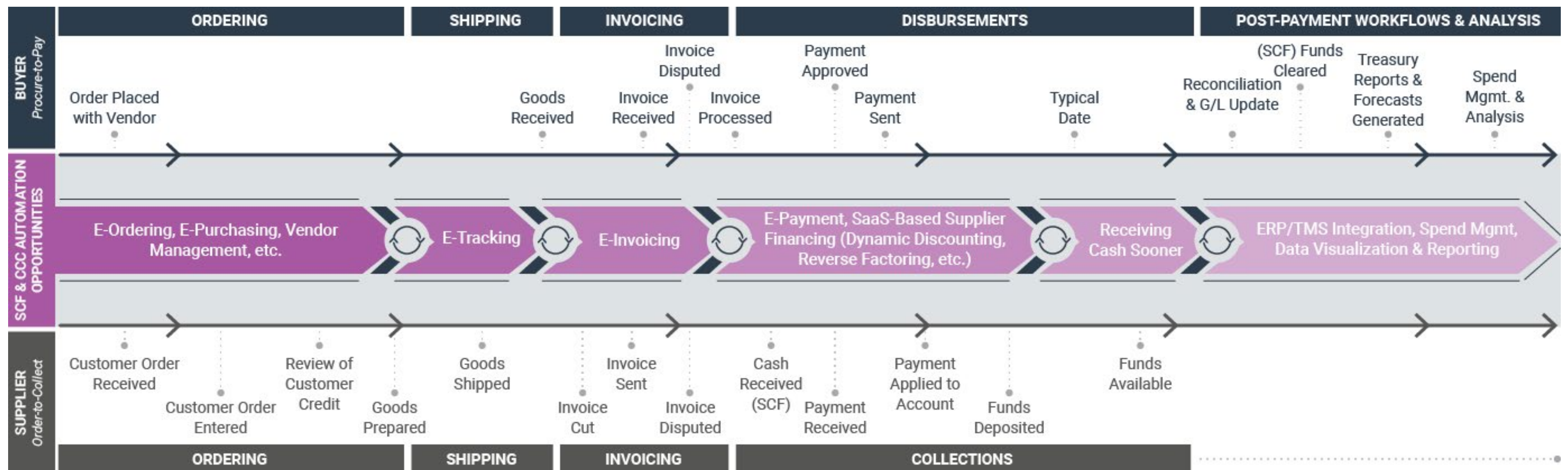
The measurement of time it takes to convert resources (inventory, AR, AP) into cashflows.

Supply Chain Finance (SCF):

“The use of financial instruments, practices, and technologies to optimize the management of the working capital and liquidity tied up in supply chain processes for collaborating business partners.”

- Euro Banking Association

CCC Automation Opportunities



CASH CONVERSION CYCLE

AREAS CONCERNED

Procure-to-Pay



Procurement



Accounts payable

Inventory



Pricing



Maintaining adequate materials

Order-to-Collect



Credit



Sales



Fulfillment



Invoicing or billing



Collection and credit application

PROCURE-TO-PAY SOLUTIONS

THE LANDSCAPE



Tools Include



Procurement platforms



Receiving goods and services



Vendor management



Receiving invoices



Compliance management



Payment (AP)

ORDER-TO-COLLECT SOLUTIONS

THE LANDSCAPE



Tools Include



Credit rating and scoring



Cash application



Shipping and fulfillment



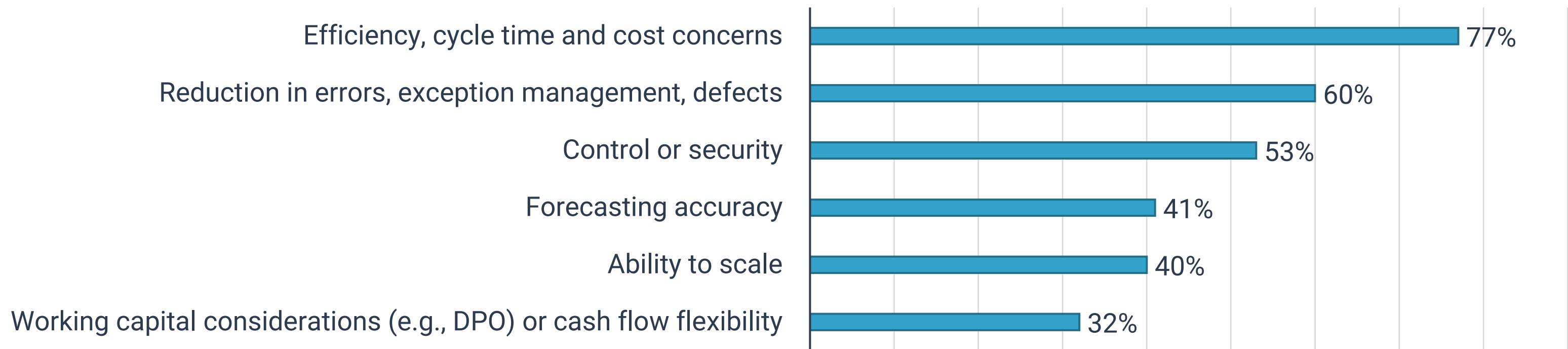
Collection

DRIVERS TO AUTOMATION

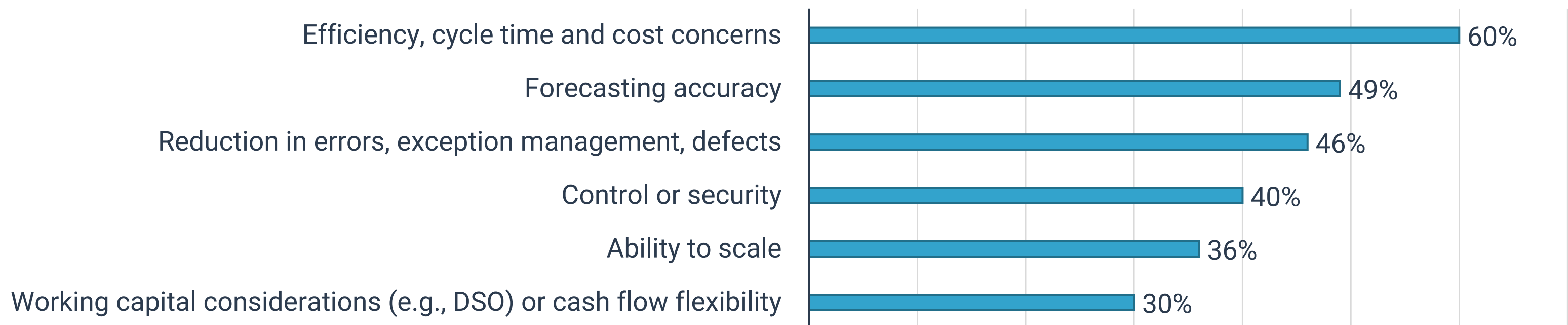
AP AND AR

What would drive you or drove you to more AP/AR automation?

AP

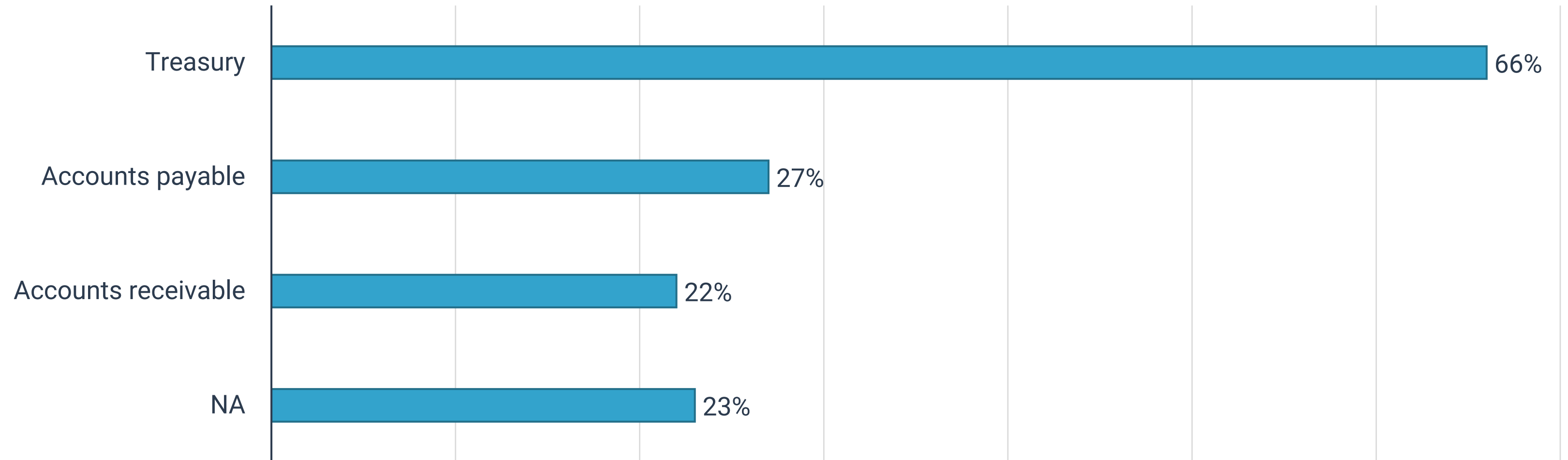


AR



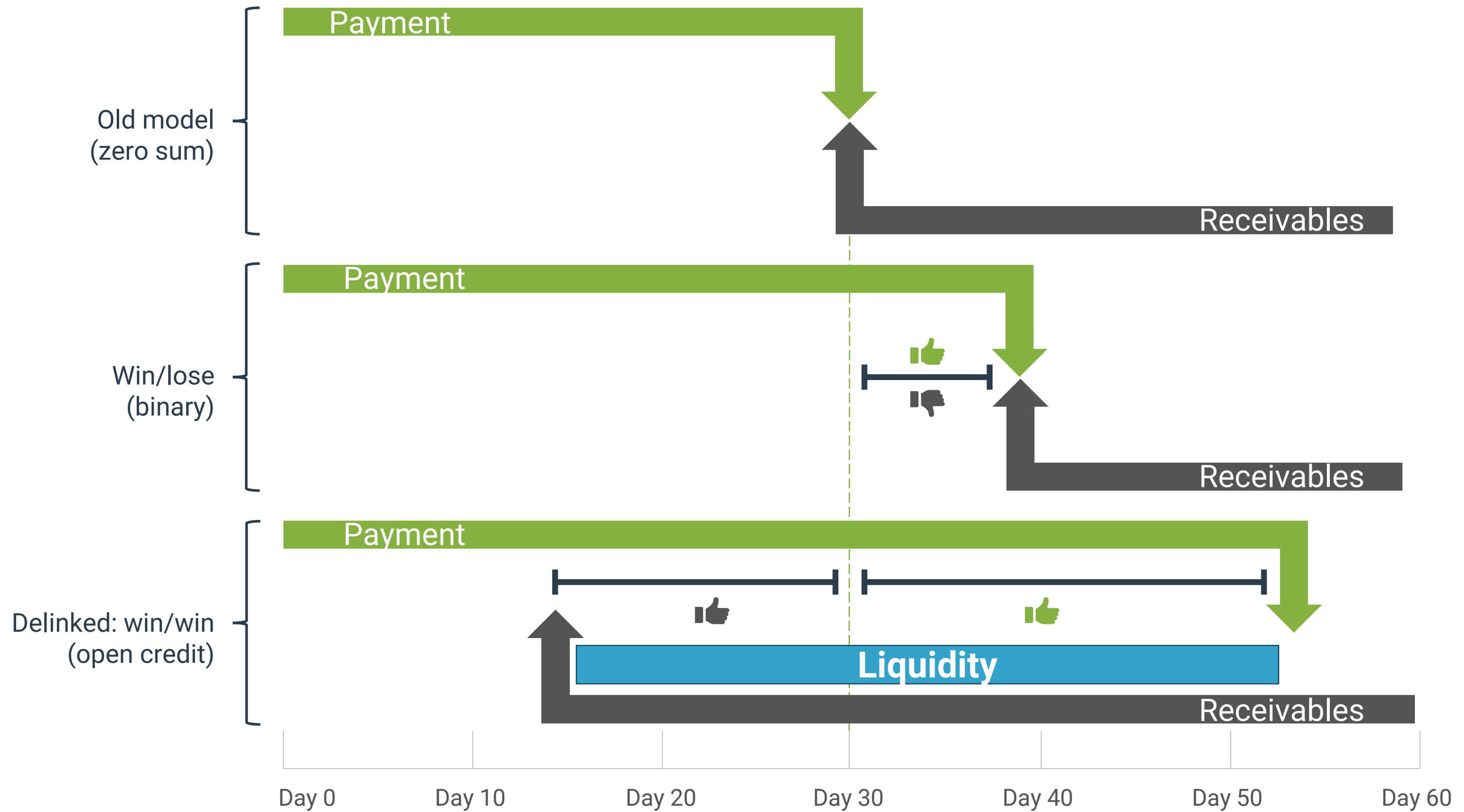
POLL QUESTION


Poll 1 - Which of the following areas of the CCC does your group have some responsibility over?



SUPPLY CHAIN FINANCE

CHALLENGES AND SOLUTIONS



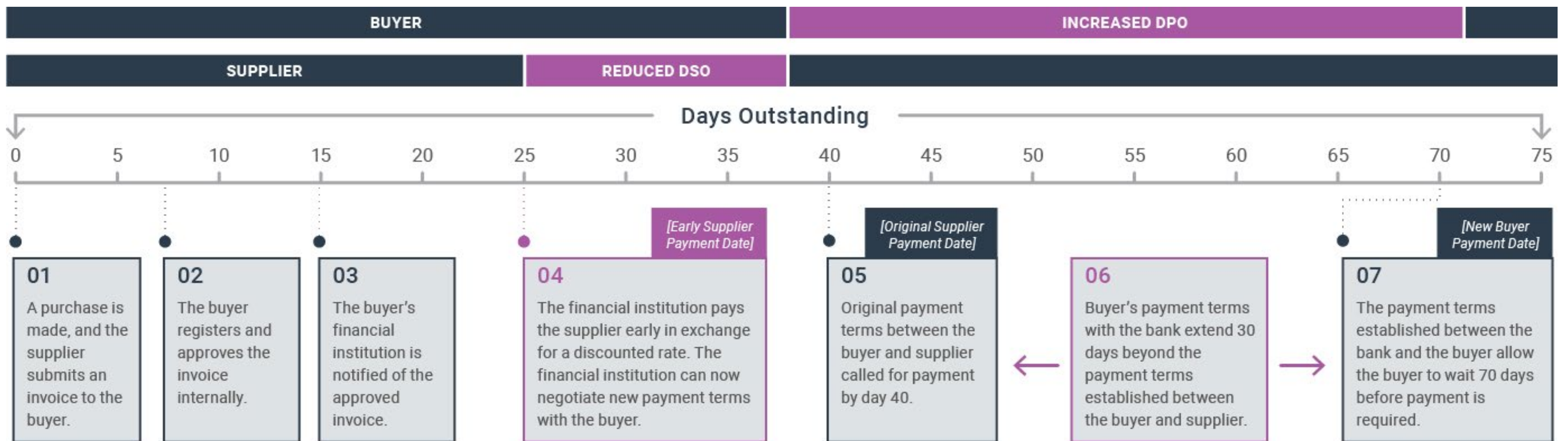


Buyer-led approaches – AP centric

- Reverse Factoring
- Dynamic Discounting

REVERSE FACTORING

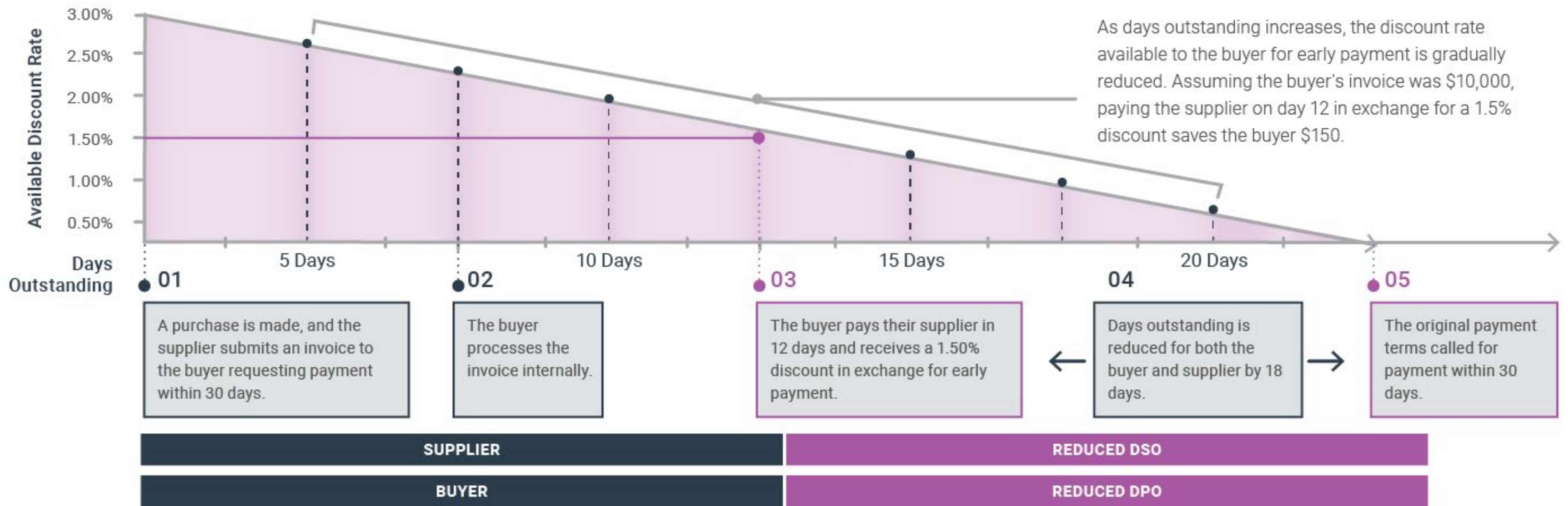
SEQUENCE OF EVENTS



Reverse factoring leverages the buyer's credit to gain funding from a third party.

DYNAMIC DISCOUNTING

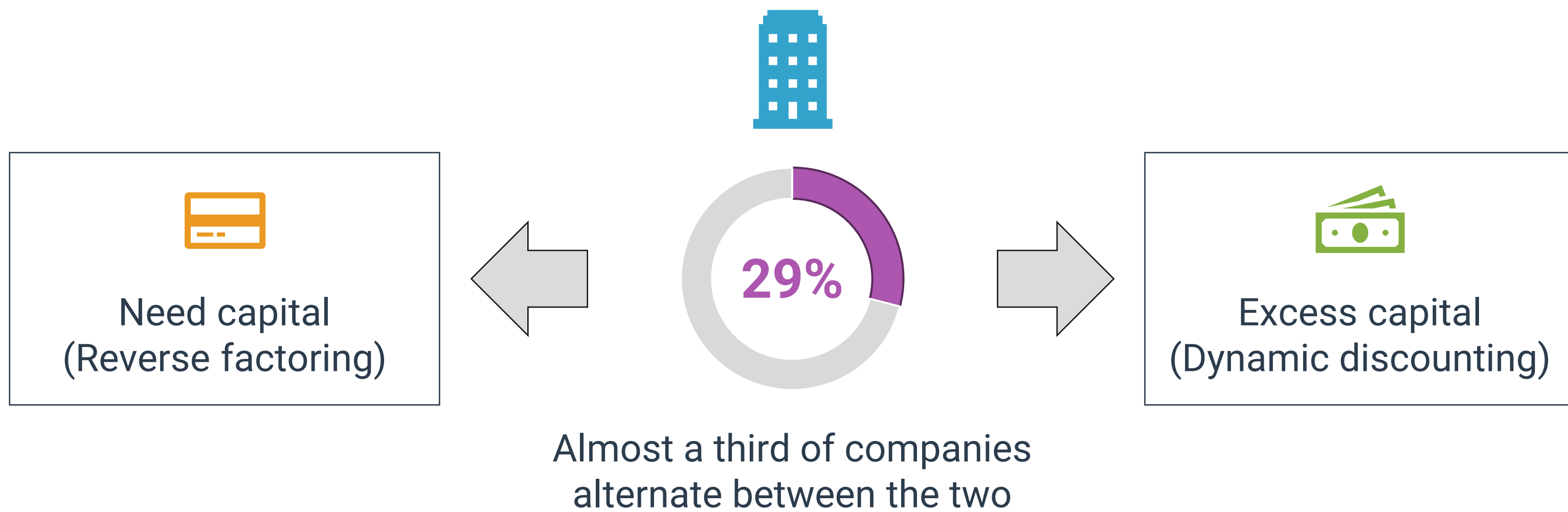
SEQUENCE OF EVENTS



Rather than leveraging the buyer's credit, dynamic discounting leverages the buyer's excess capital through a sliding scale of discounts.

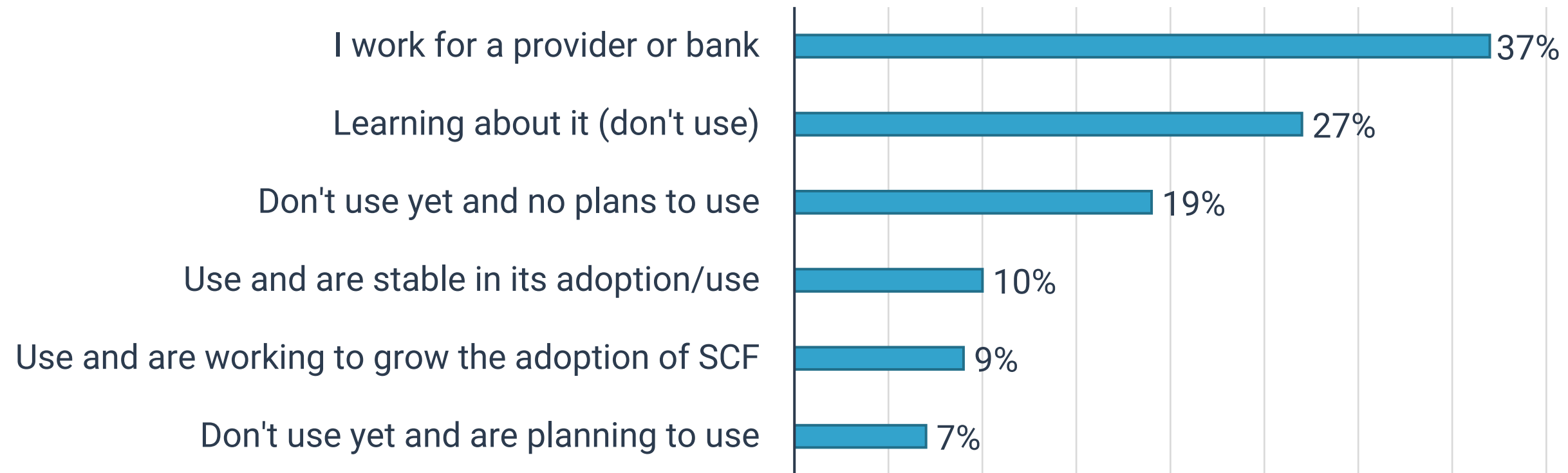
HYBRID SCF SOLUTIONS

BOTH REVERSE FACTORING AND DYNAMIC DISCOUNTING

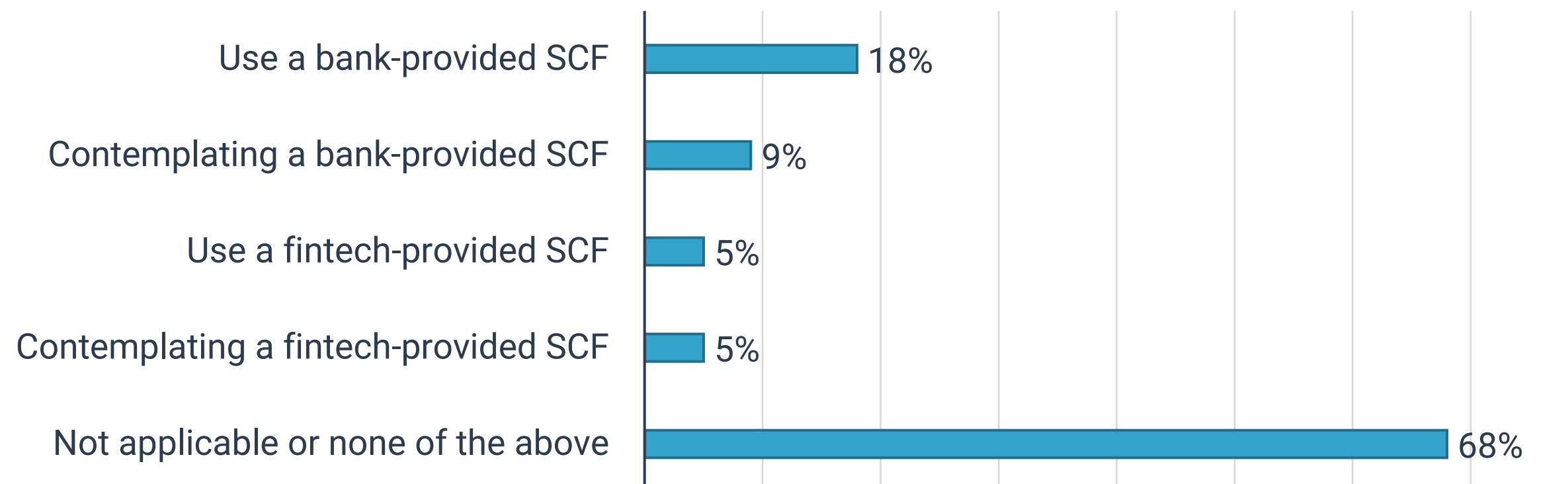


POLL QUESTION

Poll 2 - My organization's use or view of supply chain financing:



Poll 3 - Describe your SCF situation.



WHO NEEDS SCF?

COMPELLING CIRCUMSTANCES



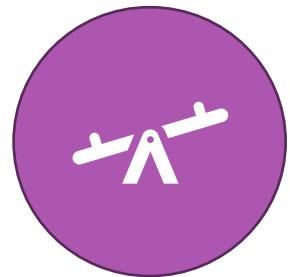
Low supplier credit

If suppliers need more capital, SCF can leverage your company's credit rating or excess capital.



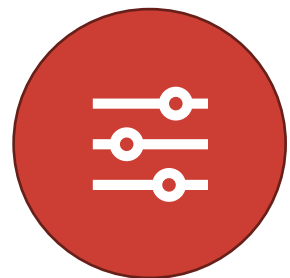
Working capital optimization

SCF can further optimize working capital.



Net liquidity fluctuation

Hybrid SCF solutions help those whose net liquidity fluctuates between positive and negative.



Diversifying capital access

Adding SCF can open up options for access to capital while allowing you more control and flexibility.





Organizations facing change


SCF can help businesses manage working capital and supply chains in an environment of change.


THE FUTURE OF SCF

FACTORS THAT IMPACT THE USEFULNESS OF SCF SOLUTIONS

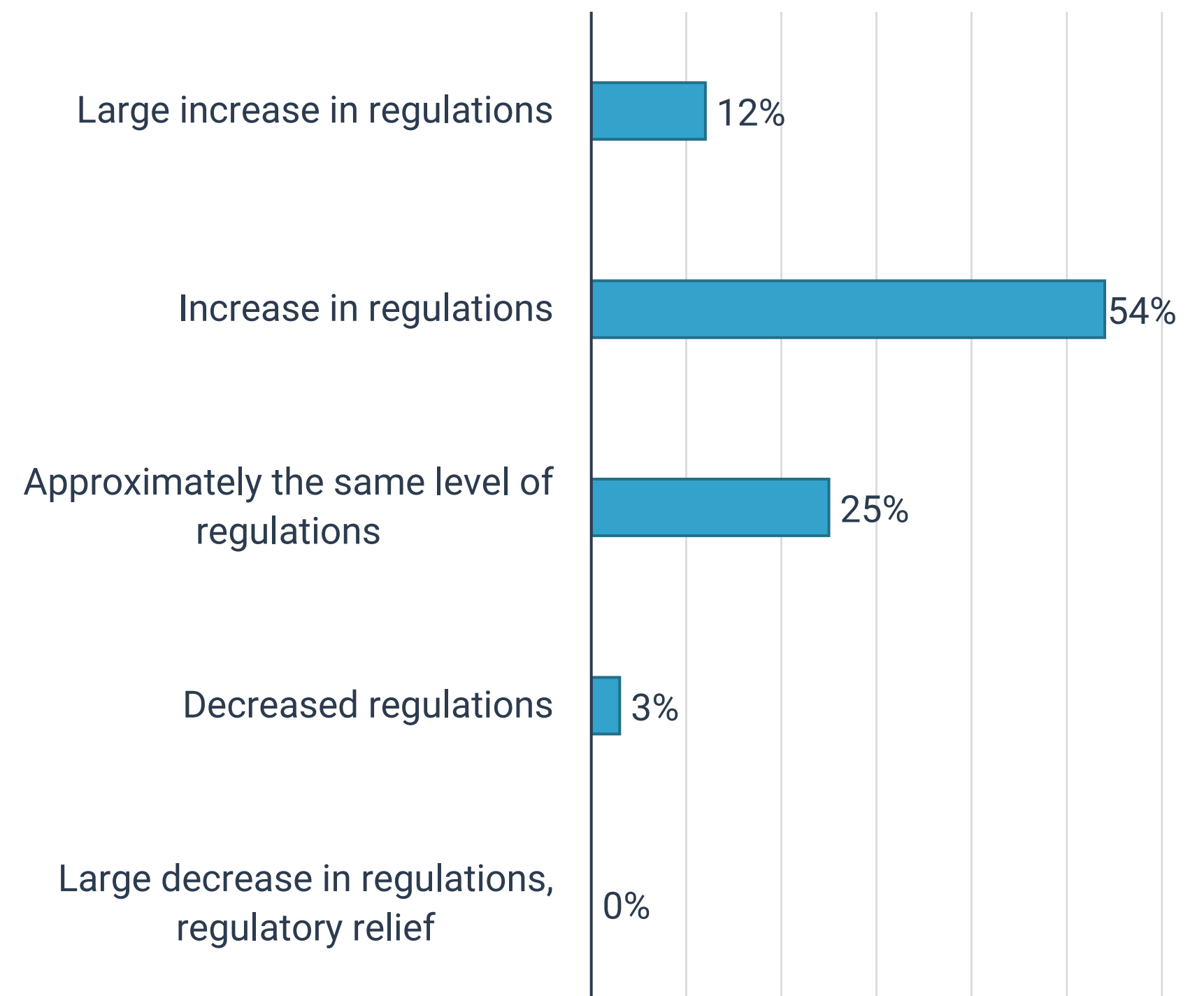
 Interest rates

 Compliance

 Networks

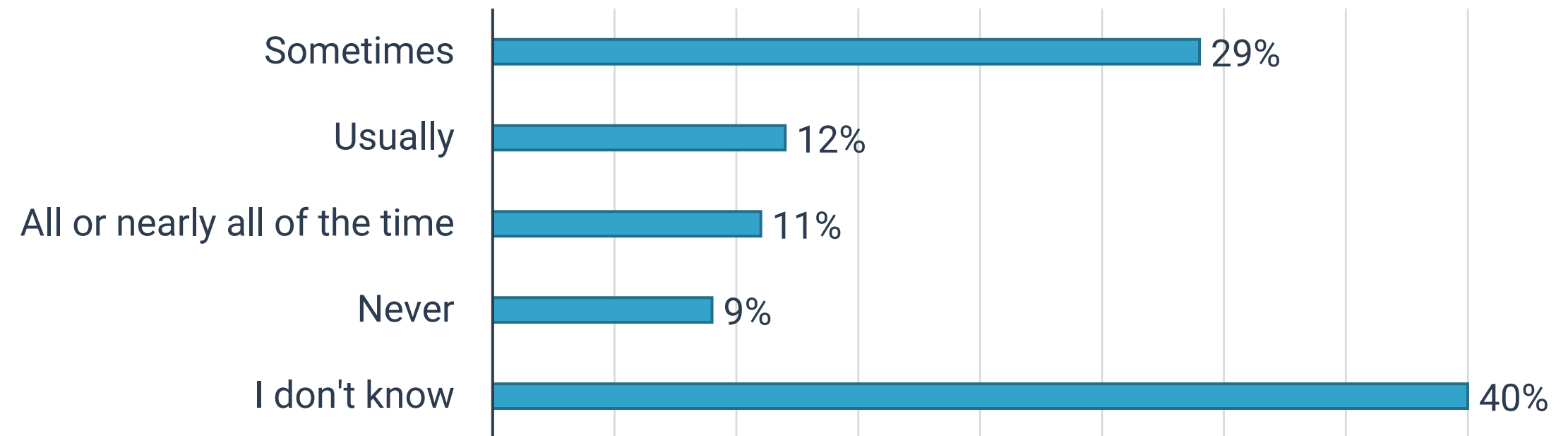
 Emerging technologies

In the near future (1-2 years), I expect the following to be true of the regulatory environment:

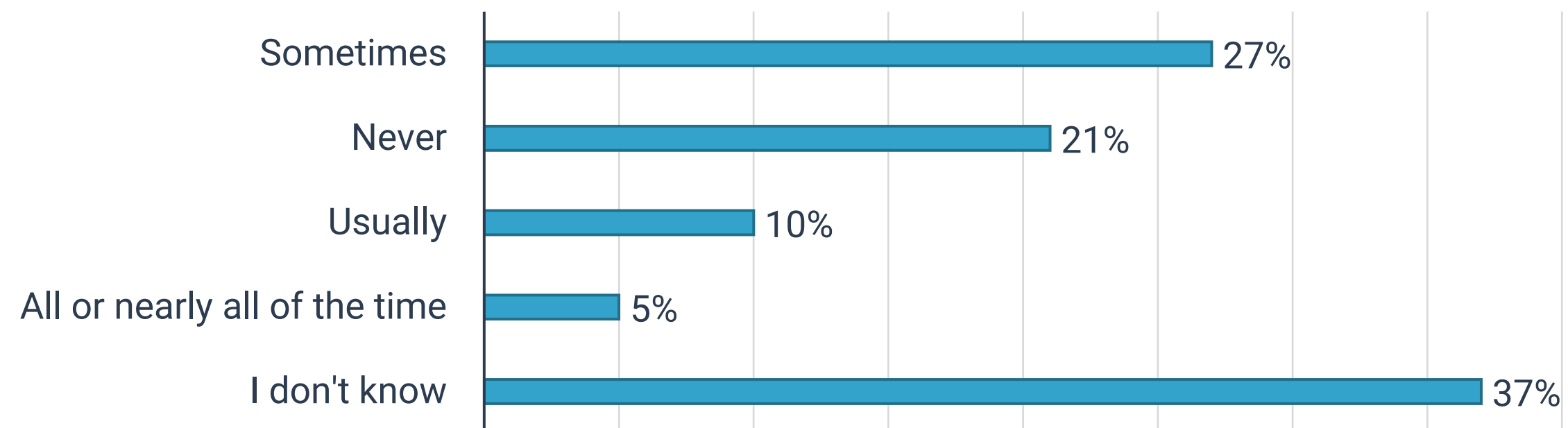


POLL QUESTION

Poll 4 - My organization TAKES discounts:



Poll 5 - My organization OFFERS discounts:



LEADING PRACTICES

FOR WORKING CAPITAL INITIATIVES



Build or Consult a Working Capital Council

Participants: Treasury (typically leads the council), accounting, AP, AR, procurement, legal, tax.

Aim: To promote mutually beneficial working capital initiatives and eliminate competing KPIs across different departments.



Understand the Varied Perspectives

As leader, treasury must communicate and reinforce:

1. Competing KPIs hurt everyone.
2. What are the goals/concerns of each department?
3. What are the thoughts and concerns of external partners?



KPIs and Objectives for Initiatives

Cooperatively establish a single set of KPIs that support both departmental and organizational goals and do not compete.



Monitor & Refine the Approach

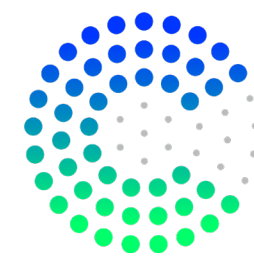
1. Revisit and refine working capital needs.
2. Assess effectiveness.
3. Determine what could be improved.
4. Recalibrate as needed.

ANALYST REPORT

TREASURY'S GO-TO SOURCE FOR DEVELOPMENTS, TRENDS AND SOLUTIONS



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