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SUPPLY CHAIN FINANCE, CASH CONVERSION CYCLE, AND TREASURY ECOSYSTEM

ANALYST REPORT SERIES



PAUL GALLOWAY

Senior Director, Strategic Treasurer

CRAIG JEFFERY

Founder & Managing Partner, Strategic Treasurer



WHAT

Discussing how supply chain finance (SCF), cash conversion cycle (CCC), and treasury ecosystem automation solutions can function as important tools in treasury initiatives.



WHEN

Wednesday, March 5, 2025
2:00 PM - 3:00 PM EST



WHERE

Live online presentation
Replays at StrategicTreasurer.com

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.



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



TREASURY ECOSYSTEM

ALONGSIDE THE TMS AND ERP



FRAMEWORK

CCC, WORKING CAPITAL, AND
SCF



CCC AUTOMATION

PROCURE-TO-PAY, ORDER-TO-
COLLECT



SFC SOLUTIONS

OPTIMIZING LIQUIDITY AND
SUPPLY CHAINS



FUTURE OF SCF

WHAT WILL IMPACT USEFULNESS
OF SCF



REALIZATION

SELECTION AND
IMPLEMENTATION

TREASURY ECOSYSTEM

ADVANCED SUPPORT WORKING ALONGSIDE THE TMS OR ERP SYSTEM



Forecasting and liquidity management



Payments and payment security



FX and hedging



Working capital optimization



API-driven connectivity for seamless transactions



AI-powered risk assessment tools

CASH CONVERSION CYCLE

TERMS AND SCOPE



Definition:

The number of days from investing cash in inventory to collecting it from sales and having it available to reinvest in inventory



Core functionality

Streamlines one or more processes within the cash conversion cycle (CCC)



Who needs it

- Companies looking to improve working capital management
- Companies struggling with inefficiency in portions of their CCC



Calculating the CCC

CCC = Days sales outstanding (DSO)
+ days inventory outstanding (DIO)
– days payables outstanding (DPO)

WORKING CAPITAL

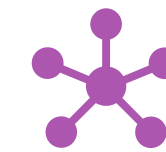
DEFINED DIFFERENTLY BY GROUPS

Different definitions depending on the area:



Traditional accounting

Working capital = current assets – current liabilities



Treasury

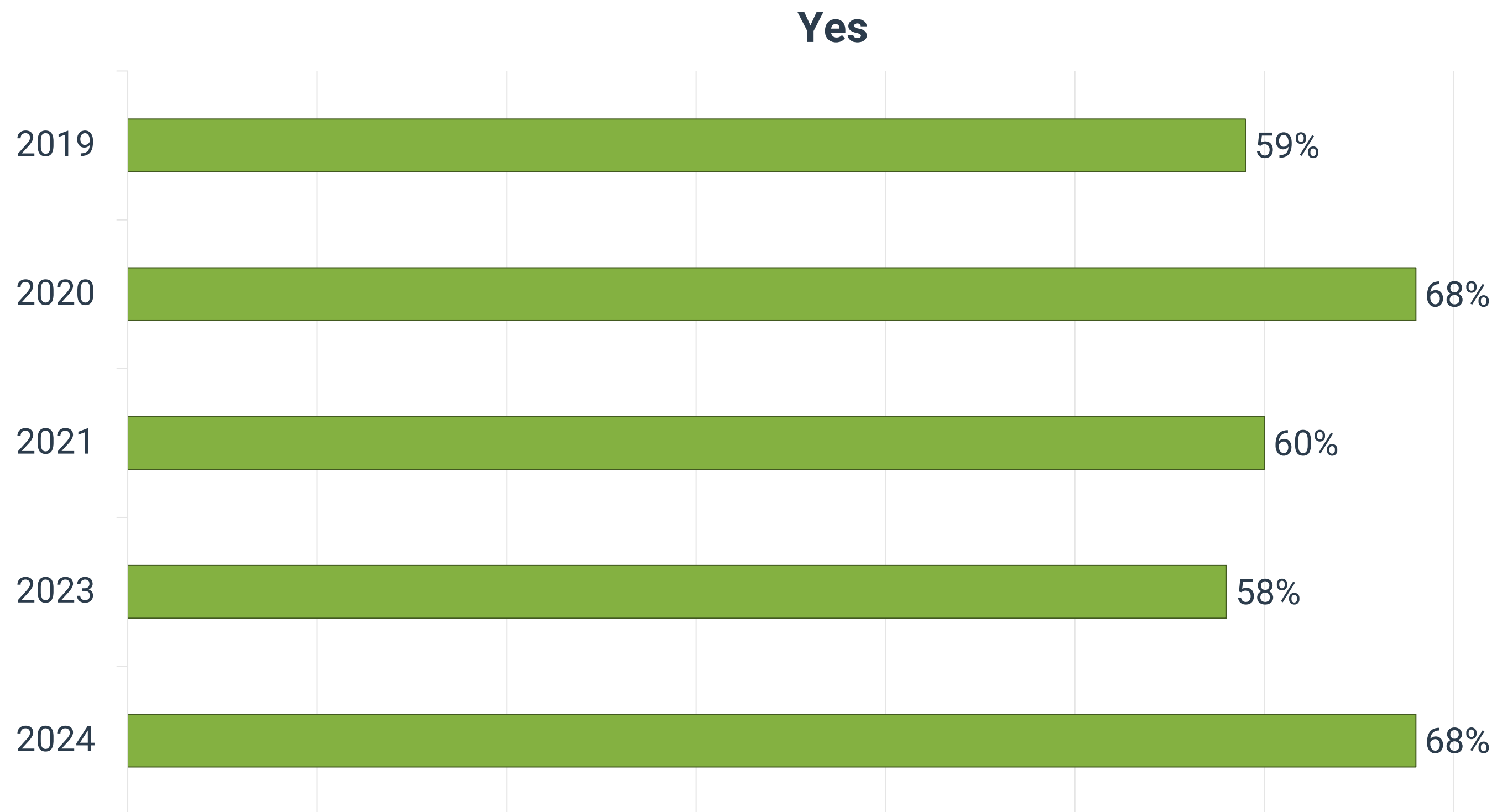
Working capital = AR + inventory – AP

- Also called “net adjusted working capital”
- Cash available for running the business
- Seek to optimize (not maximize or minimize) this type of working capital
- Technology can help infuse flexibility into working capital

OPTIMIZING WORKING CAPITAL

LEVELS OF EMPHASIS THROUGH THE YEARS

» Does your organization place heavy emphasis on working capital optimization and associated operations (inventory, receivables, payables)?



SUPPLY CHAIN FINANCE

TERMS AND SCOPE



Definition:

“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’s definition



Core functionality

Facilitates win-win solutions between buyers and suppliers via methods such as third-party funding or sophisticated discount options.

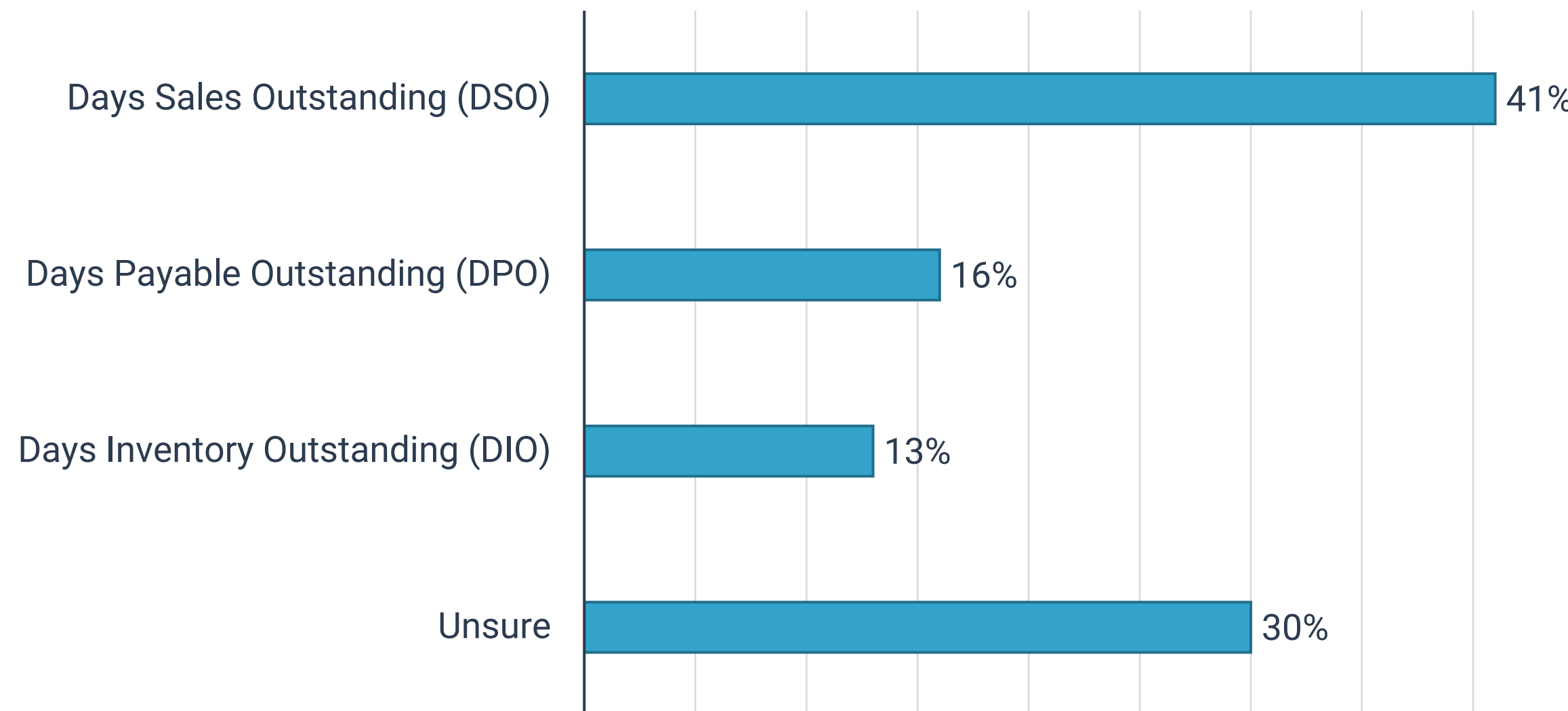


Who needs it

- Buyers looking to infuse resilience into their supply chains
- Companies seeking more ways of optimizing working capital
- Companies experiencing liquidity fluctuations

POLL QUESTION

Poll 1 - Which area of your company's cash conversion cycle presents the biggest challenge?



CCC AUTOMATION

UNDERSTANDING THE AREAS INVOLVED



Procure-to-pay

- Procurement
 - Balances stability, diversification, and inventory quality
- Accounts payable (AP)
 - Maintains adequate controls
 - Balances discount opportunities with holding onto cash and keeping DPO above minimum levels



Inventory

- From just-in-time to just-in-case



Order-to-collect

- Credit
- Sales
- Fulfillment
- Invoicing or billing
- Collection and credit application



With each process having their own priorities and concerns, there's abundant potential for competing KPIs

PROCURE-TO-PAY

AUTOMATION TOOLS



Opportunities for greater efficiency in AP

- Enables remote work
- Offers more secure processes
- Improves speed and reduces errors
- Cuts down on time to approve and pay invoices
 - Reduces late payments
 - Opens up possibility of paying early for discounts



Additional standalone and integrated tools

- Procurement platforms
- Vendor management
- Compliance management
- Receiving goods and services
- Receiving invoices

ORDER-TO-COLLECT

AUTOMATION TOOLS



Opportunities for greater efficiency in AR

- Reduced errors
- Faster payment
- Improved customer relationships
- Reduced costs



Additional standalone and integrated tools

- Credit rating and scoring
- Shipping/fulfillment
- Cash application

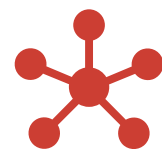
INNOVATIONS

INCREASING EFFECTIVENESS IN CCC AUTOMATION TOOLS



AI/ML

- Collections
- Cash application
- Payment security
- Fraud detection



Networks

- Validating payees
- Vendor management
- Fraud prevention
- Compliance
- Payment tracking
- Locating suppliers



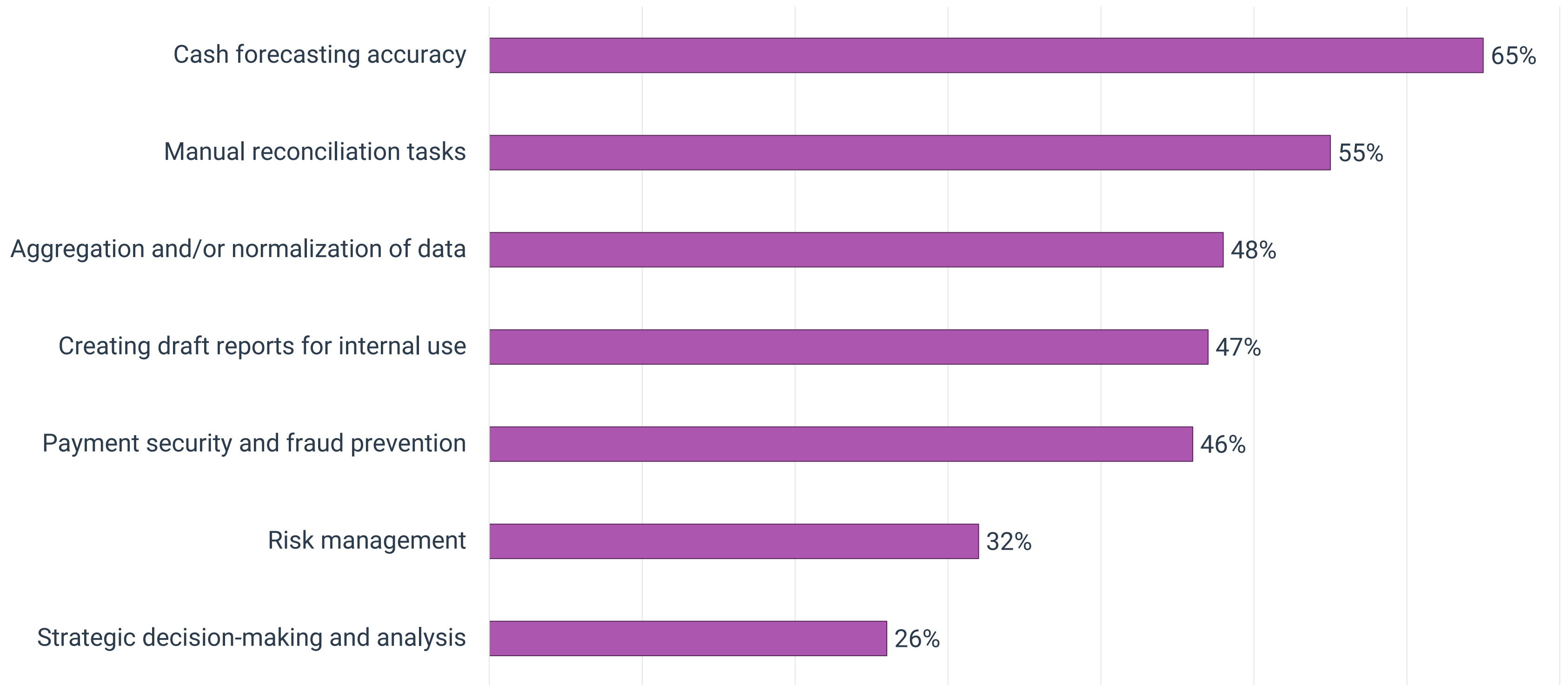
Optical character recognition (OCR)

- Reading PDF-based invoices and importing contents into AP system

AI IN TREASURY

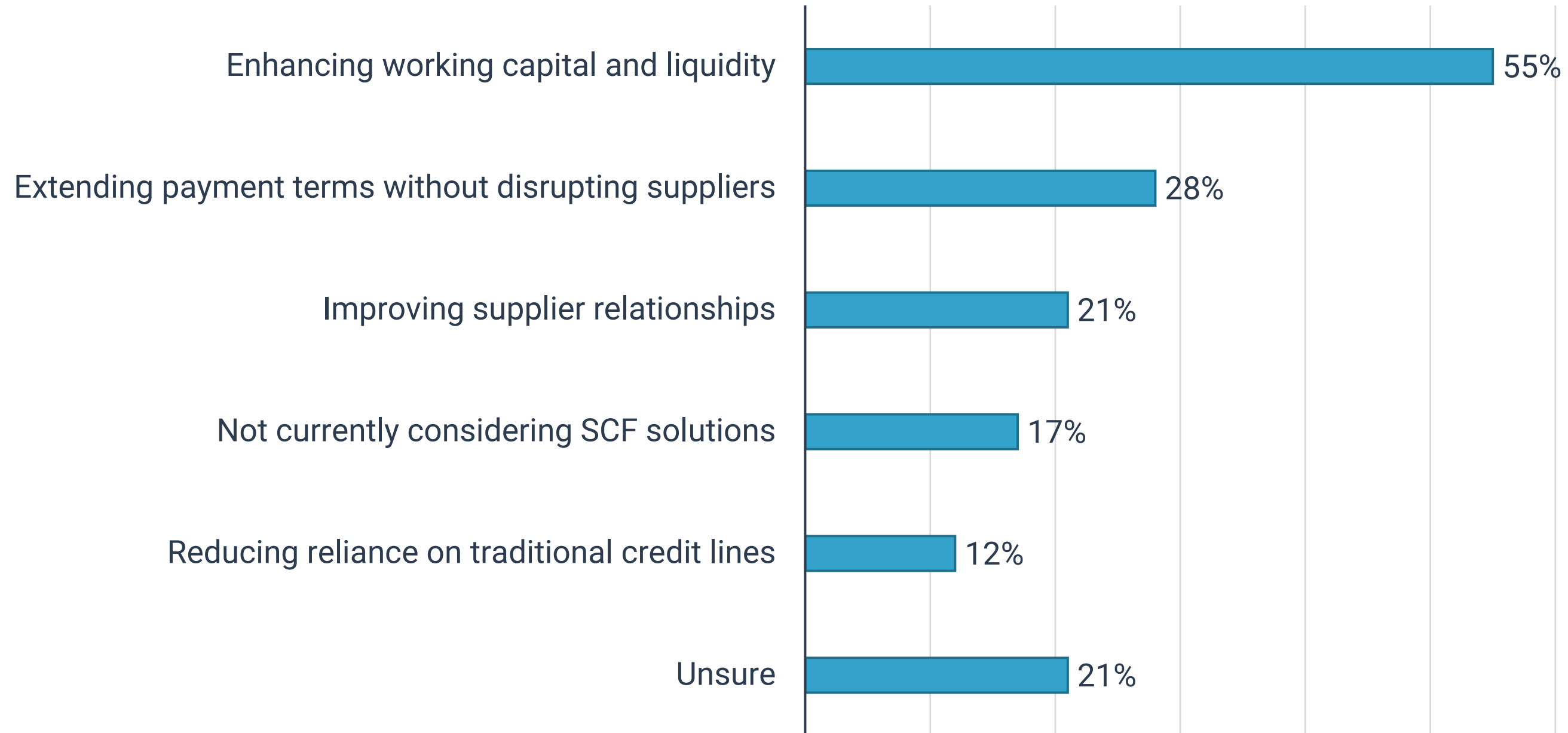
AREAS EXPECTED TO BE IMPACTED

» *What specific areas or challenges do you expect AI to address in treasury and finance?*



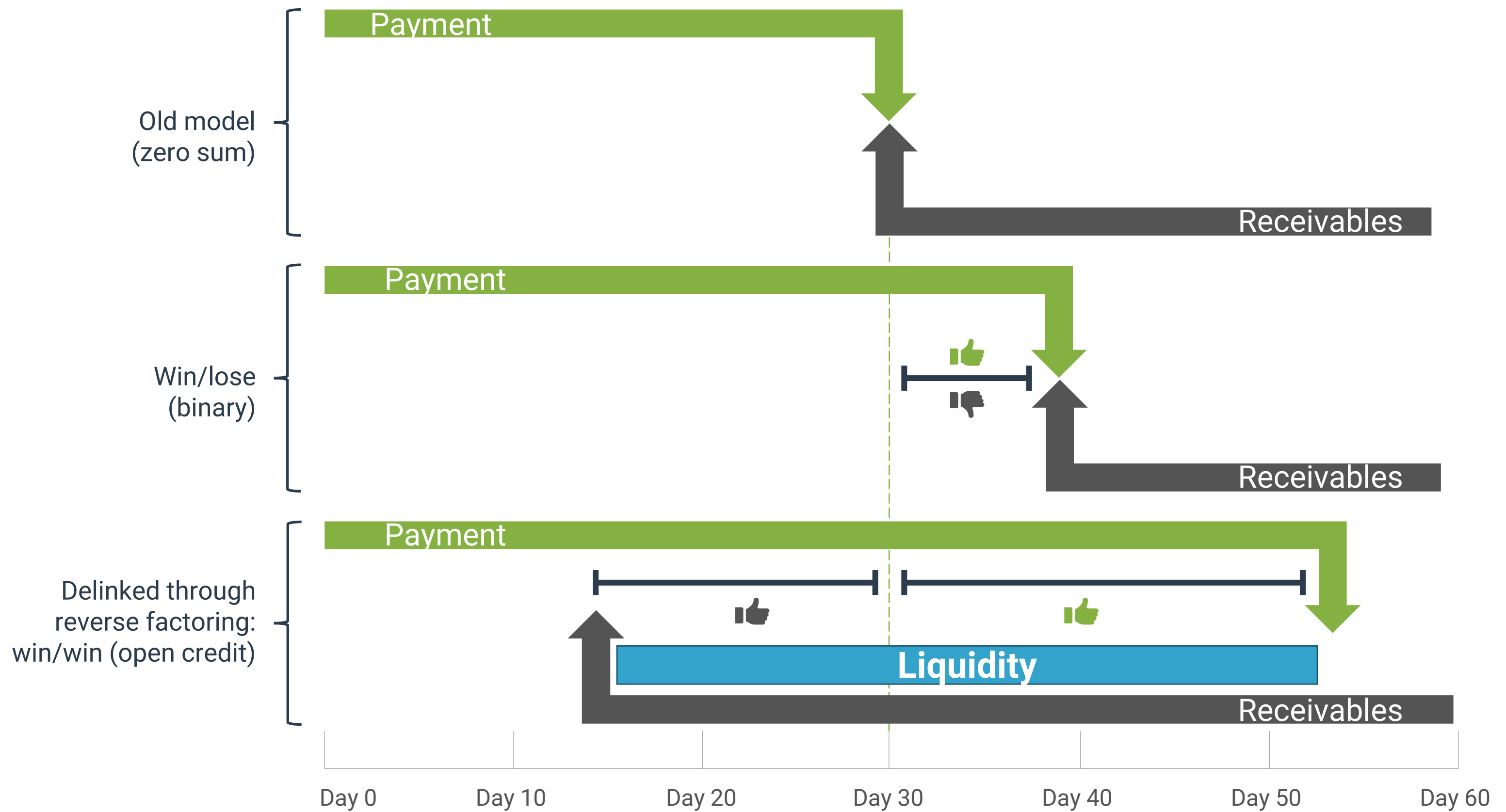
POLL QUESTION

Poll 2 - What is your company's primary objective when considering supply chain finance solutions? (all that apply)



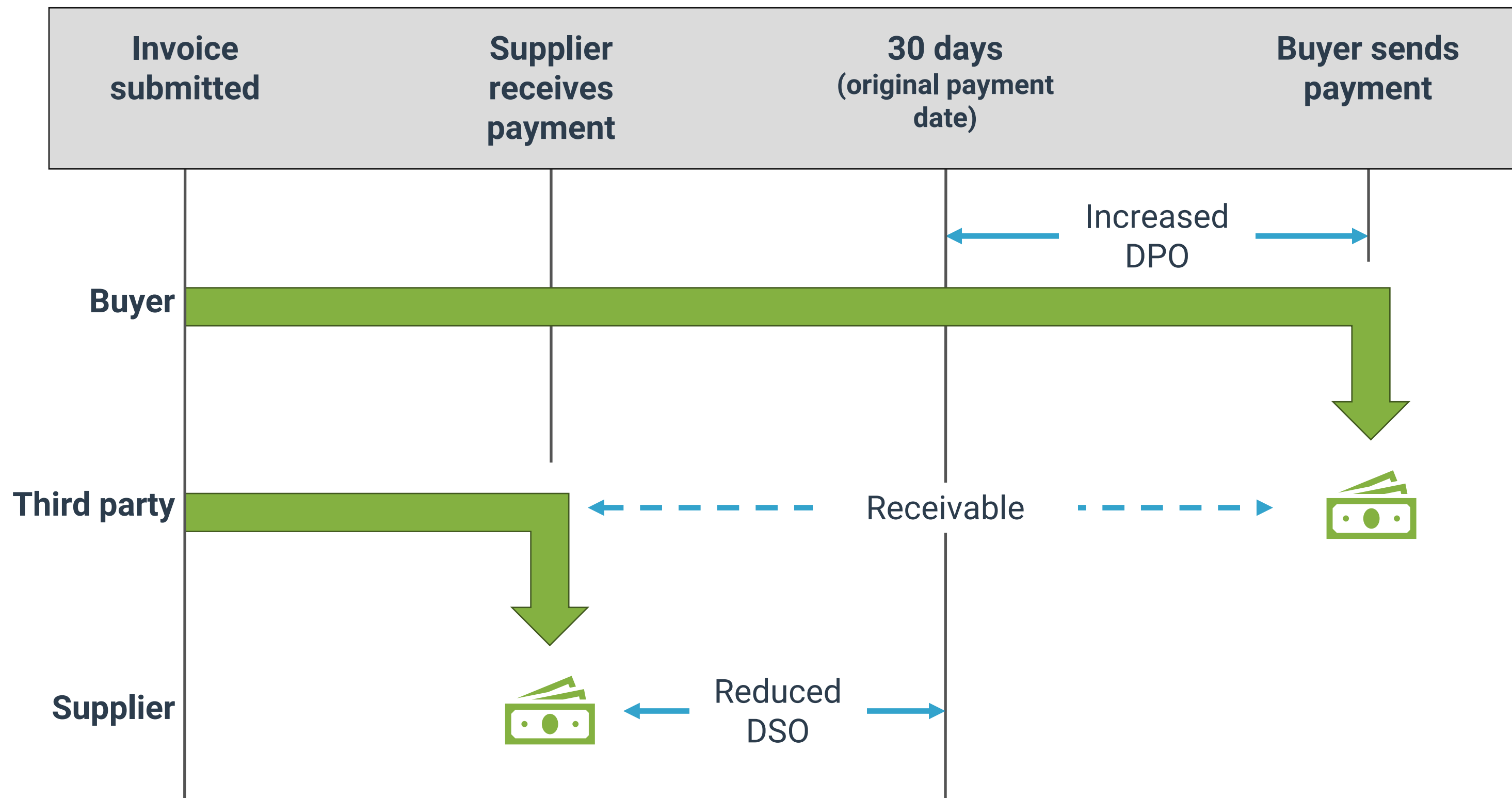
SUPPLY CHAIN FINANCE

CHALLENGES AND SOLUTIONS



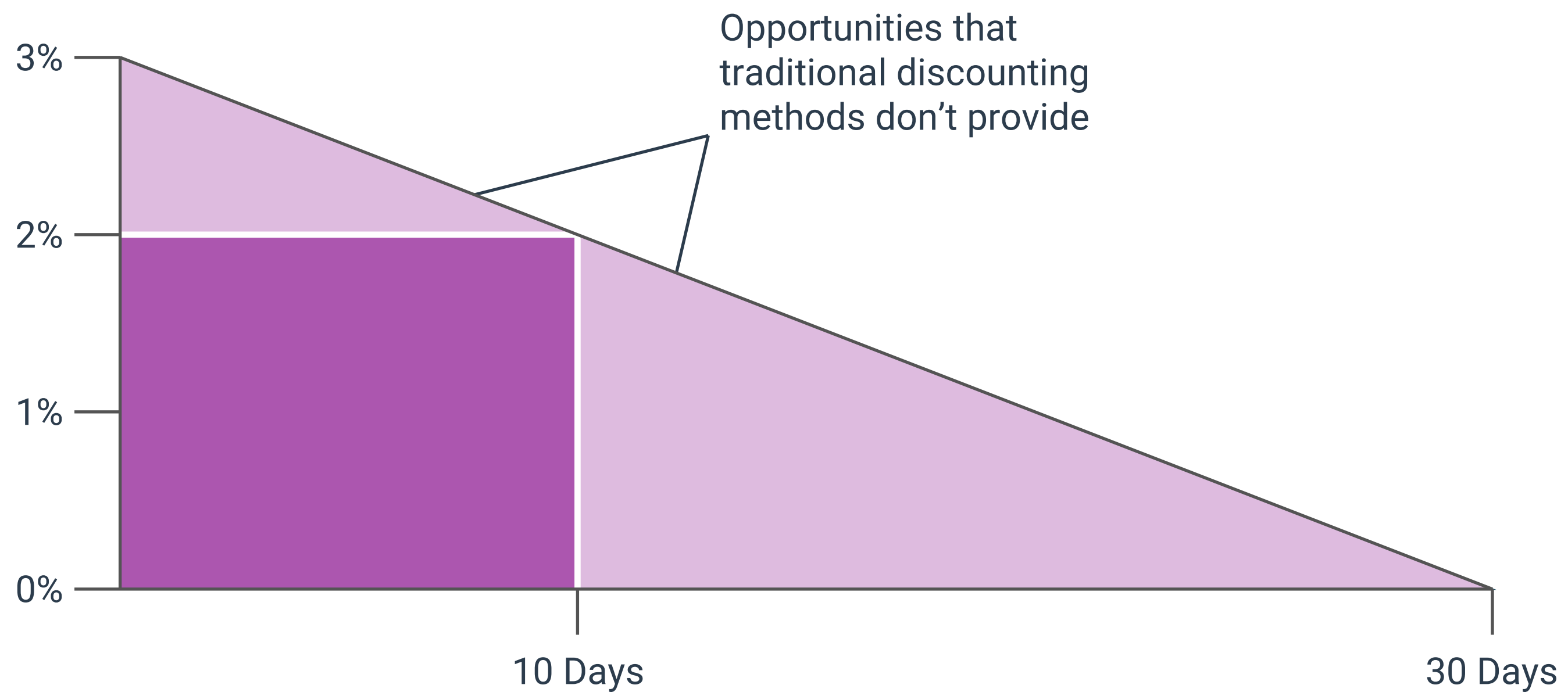
REVERSE FACTORING



LEVERAGING BUYER CREDIT FOR EARLY SUPPLIER PAYMENT VIA FINANCING



DYNAMIC DISCOUNTING

A SLIDING SCALE OF DISCOUNTS

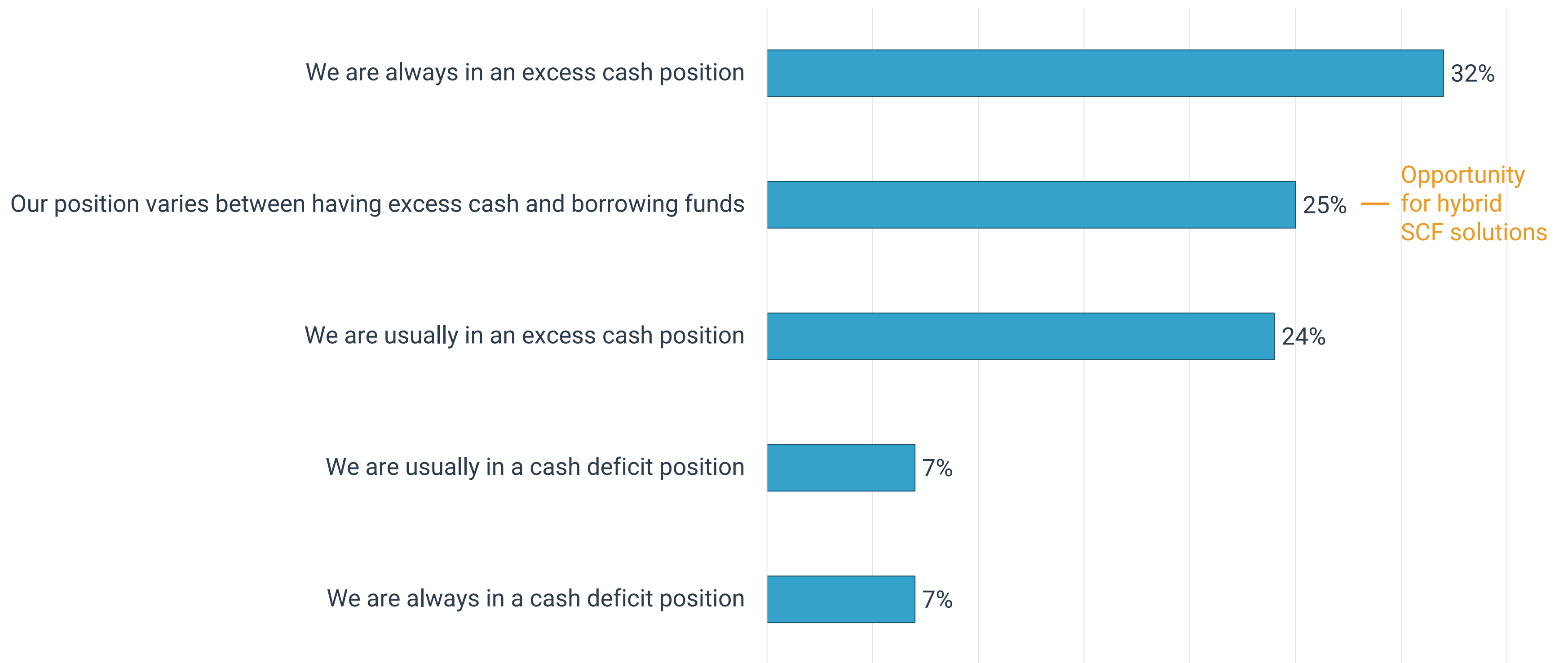


-  Traditional discounting (2/10 net 30)
-  Dynamic discounting

WORKING CAPITAL POSITION

WHERE YOUR PEERS RESIDE

» Please indicate your most common working capital position.



HYBRID SCF SOLUTIONS

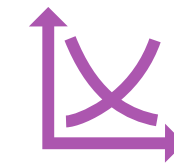
THE BOTH/AND APPROACH



Reverse factoring

Situation: Deficit of capital

Response: Leverage organization's credit and a third party's capital



Dynamic discounting

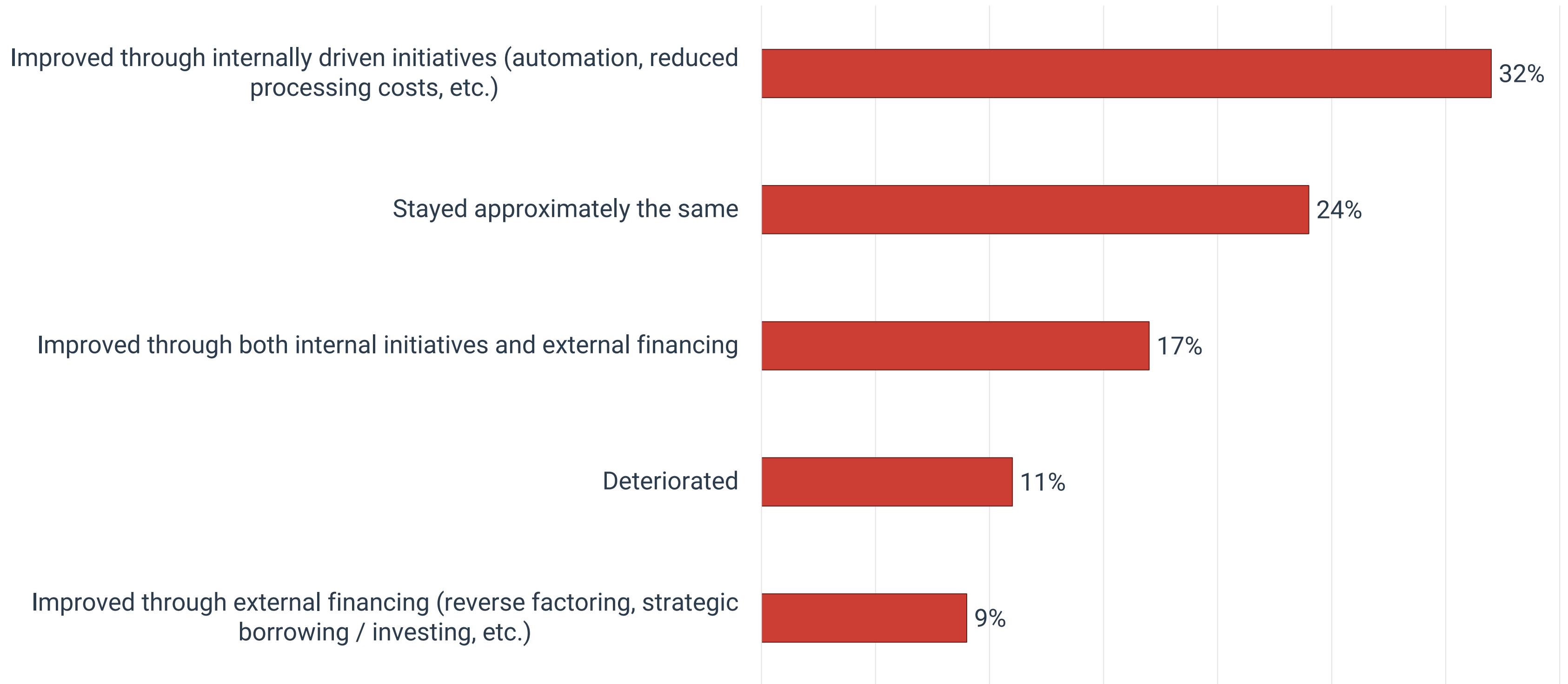
Situation: Excess of capital

Response: Leverage organization's excess capital

WORKING CAPITAL TRENDS

CHANGES OVER TIME

» Over the past two years, our working capital has:



THE FUTURE OF SCF

FACTORS INFLUENCING THE USEFULNESS OF SCF



Interest rates



Compliance

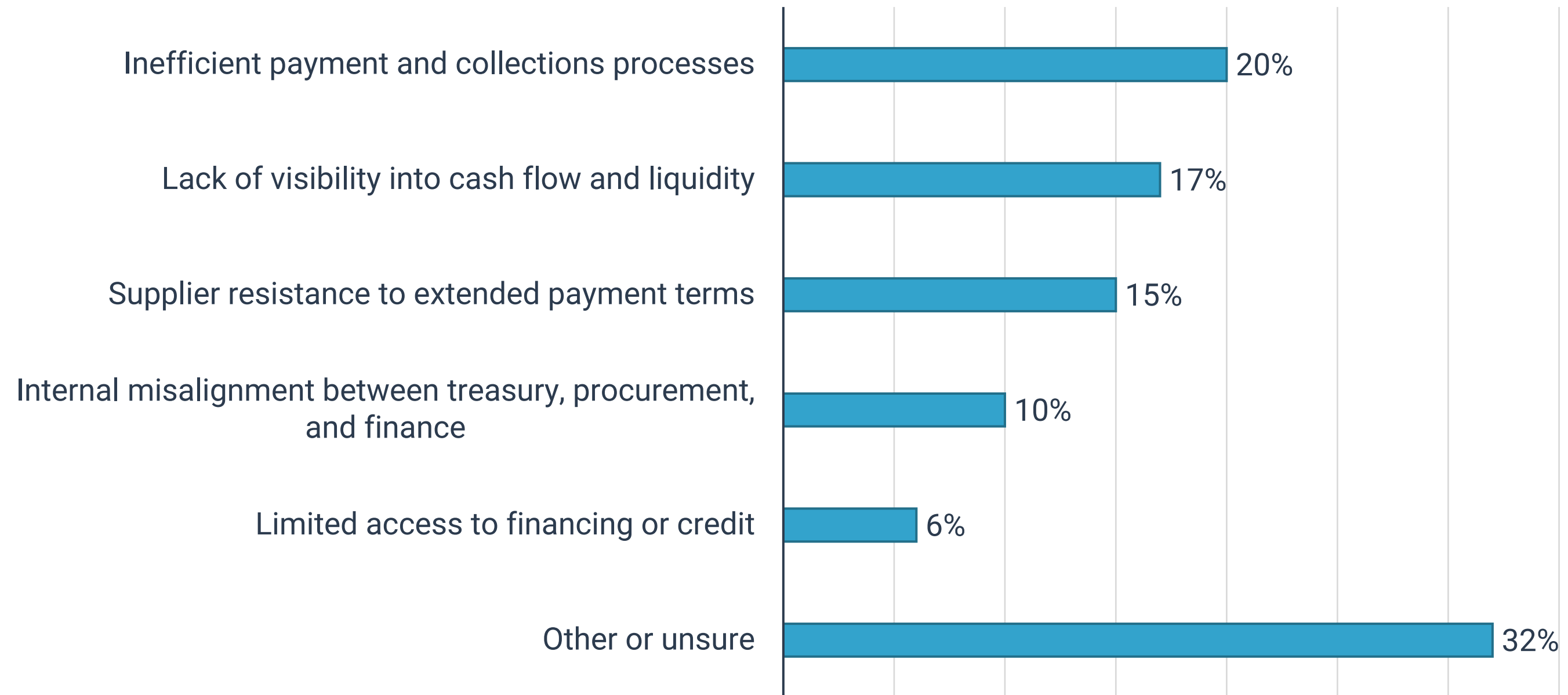


Emerging technology

- Networks
- Artificial intelligence
- Blockchain and distributed ledger technology

POLL QUESTION

Poll 3 - What is the biggest obstacle your company faces in optimizing working capital?



SELECTION AND IMPLEMENTATION

STEPS TOWARD SUCCESSFUL ADOPTION



Due diligence

- Assess provider stability
- Understand business model
- Be aware of level of diversification



Supplier participation

- Clear communication
- Minimize cost and inconvenience

ANALYST REPORT

TREASURY'S GO-TO SOURCE FOR DEVELOPMENTS AND SOLUTIONS



SUPPLY CHAIN FINANCE, CASH
CONVERSION CYCLE, AND TREASURY
ECOSYSTEM PROVIDERS



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- Treasury Technology



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- Employee Security Training
- Compliance Services
- Connectivity & Onboarding



RESEARCH Market Data

- Survey Participation
- Research Report Access
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