



Working capital roundup: A look back at 2022

Transcript

Presented by:

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Wanya du Preez:

Hello, I'm Wanya du Preez, Senior Vice President with Deloitte Transactions and Business Analytics LLP's Cash and Working Capital team and I will be sharing the Q4 2022 working capital highlights with you.

Our annual report is a 12-month detailed look back on the Working Capital performance of companies during 2022, focusing on the individual sectors, and underlying drivers of Working Capital.

Many companies experienced significant revenue growth in 2022, driven by strong consumer demand and continued opening up of the global economy. Despite the challenging supply chain and labor market environment, as well as rising inflation and

interest rates, the industries we analyzed showed a revenue increase ranging between 8.6% and 23.8%, coupled with strong margin growth, demonstrating that companies were successfully passing on price increases to customers and consumers. However, across many other metrics such as net income, free cash flow, net debt and cash conversion cycle, the story becomes less clear, with volatility at the macro and sector levels.

WC metrics show inconsistent performance across different industries in 2022, with DSO outperforming pre-pandemic levels across many sectors. DIO performance demonstrated persisting challenges in the supply chain, while DPO continued to deteriorate in majority of the analyzed sectors.

Despite the positive trends seen in revenue and margin growth, the increased levels of indebtedness, decline in free cash flow and the impact of interest rates rising to the highest levels since 2006, companies should take a closer look at the impact of rising financing costs on overall liquidity and working capital.

For a complete analysis of WC trends by industry, download the Working capital Q4 2022 snapshot now.

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