

Working Capital and Liquidity Advisory

Creating and accelerating sustainable value through working capital improvements and a cash-focused culture

Optimizing working capital and maximizing cash flow in a disruptive market

Measures are needed to build a cash-focused culture as boards of directors and executive leadership teams continue to grapple with rising interest rates, high inflation, supply-chain challenges, tight labour markets, and reduced funding access.

Whether your company is thriving, under pressure, or going through a transformational event, your business can benefit from a review of your working capital and cash management practices. A disciplined, structured approach can drive operational efficiencies, free up cash, and encourage performance-oriented behaviours.

Warning signs and opportunities

Free up between 5 to 20% of your invested working capital by setting a strategy, assigning ownership, communicating the way forward, and developing a robust execution plan. Leadership teams typically focus on growth and profitability, yet fail to establish the necessary controls and processes to minimize cash leakage. A strategic approach to working capital requires an enterprise-wide strategy, collaboration and input across all business units and functions, and clearly defined key metrics aligned to your enterprise's overall objectives.

Signals that leakage exists in your business:

- Complex and decentralized structure
- Continued failure to achieve working capital targets
- Working capital metrics not aligned with industry norms
- Potential or actual covenant breaches
- Increased use of external financing to support day-to-day operations
- Multiple and outdated contractual terms across customers and vendors
- Weak process and control environment leading to lost vendor discounts
- Issues with demand forecasting and inventory management

Optimize working capital investment with Deloitte



Deloitte Working Capital & Liquidity Advisory can help

Our experienced team has brought hundreds of companies in a **broad range of industries** practical, sustainable, end-to-end solutions and best practices to significantly free up cash to stabilize the business or support strategic investments.



Maturity assessment and leakage analysis:

- Use industry benchmarks and proprietary data to identify gaps relative to industry peers
- Conduct a maturity assessment of policies and processes to identify where best practices can be implemented



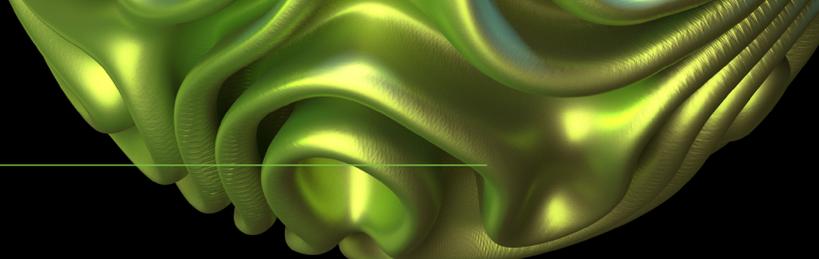
Strategy and roadmap development:

- Develop a working capital strategy to mitigate enterprise risk and reduce cash conversion cycles
- Build execution playbooks with clear targets and accountability, supported by dynamic reporting tools, and a governance structure to support your strategy
- Define specific and measurable financial and operational key performance indicators and incentive plans to monitor results



Execution and change management:

- Assign and align your working capital ownership and governance structures
- Update and document your new policies, processes, and procedures
- Apply change management strategies to secure cultural engagement to improve/maintain savings



Examples of how Deloitte creates value

Unlocking \$230 million in trapped cash for a global retailer

→ ISSUE

We were engaged by a multi-billion dollar retailer to assess their level of working capital investment and the maturity of their policies and processes relative to their accounts receivable, accounts payable and inventory management.

→ ACTION

By leveraging our proprietary data analytical tools, our transaction-level assessment helped management identify financial leakage in their working capital cycles, as well as gaps in policies and processes compared to leading practices.

→ OUTCOMES

Over a six-month period, we partnered with the client to implement a revised working capital strategy, associated operating model, necessary KPIs, and dashboards, releasing \$230 million of trapped cash and increasing EBITDA by \$32 million.

Reducing a manufacturer's reliance on credit

→ ISSUE

After years of significant growth through acquisitions, this client engaged Deloitte to optimize their working capital across their diverse group of companies to free up cash flow and increase operational excellence.

→ ACTION

By analyzing transactional data across four enterprise resource plans, six entities, and ten countries, our team identified the root cause of issues in their accounts receivable and accounts payable functions.

→ OUTCOMES

Our efforts led to a 20% reduction in the use of their credit facility, 30% increase in standardization of policies and processes across the varied group of companies, and a significant cultural shift to improve performance.

THE BOTTOM LINE:

Engage Deloitte's Working Capital & Liquidity Advisory team for:

- Global scope and local solutions
- Proprietary data and analytical tools for accelerated speed to value
- Financial and operational performance and efficiencies
- Cross-organizational change to create a cash culture and mindset
- Cash and liquidity constraints navigated through internal resources versus external sources

Contact us

Brian Stewien

Private Equity Portfolio
Practice Leader, Canada
416-543-2489
bstewien@deloitte.ca

Jonathan Calabrese

Clients & Industries
National Leader, Canada
506-663-6614
jcalabrese@deloitte.ca

Rob MacNeil

National Working Capital
Leader, Canada
506-663-6720
romacneil@deloitte.ca

Seema Mahindru

National Working Capital
Leader, Canada
437-249-3481
smahindru@deloitte.ca

