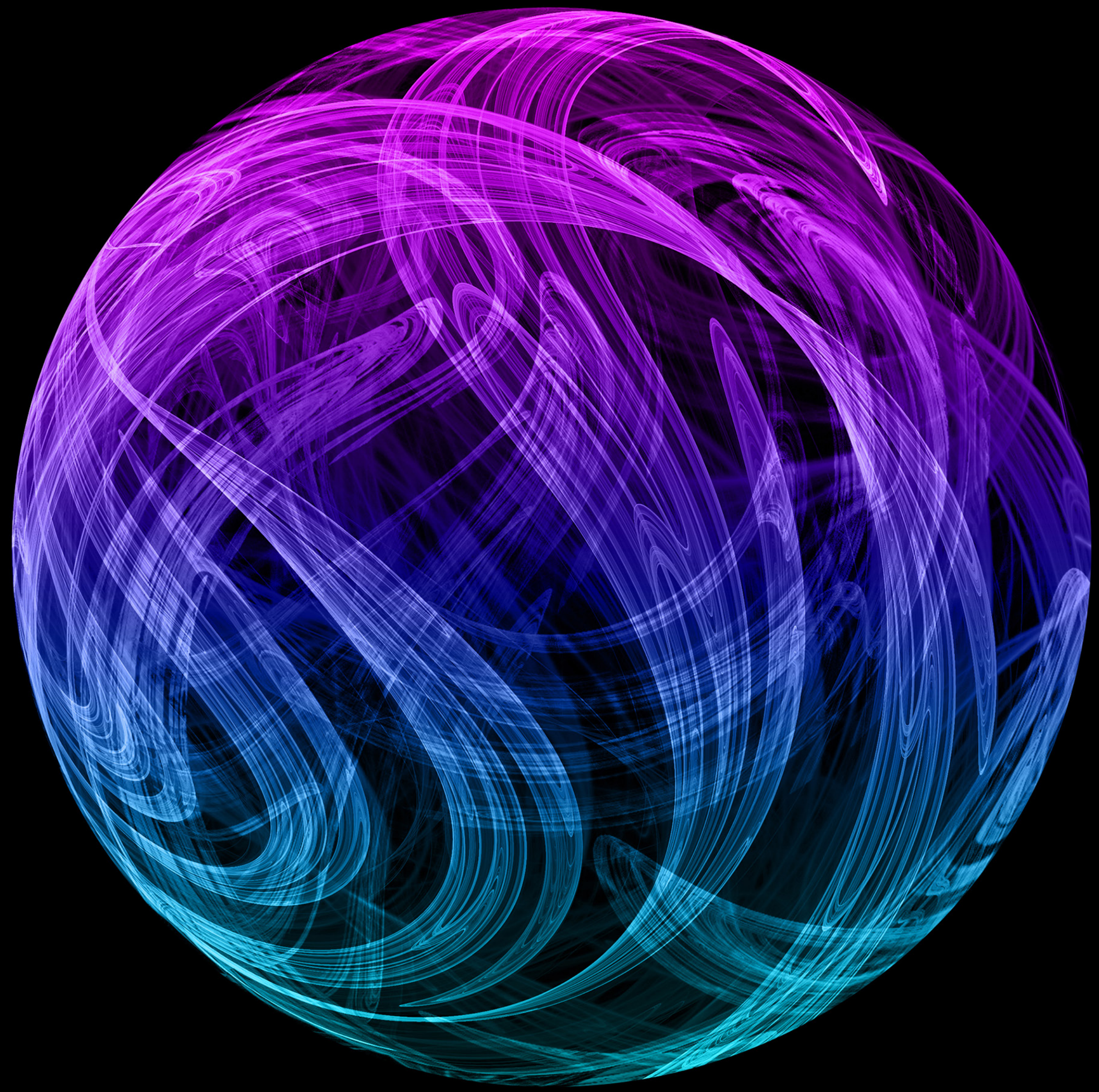


Working Capital Roundup 2024

Unlocking capital efficiency: Unveiling 2024 working capital trends

Contents

Glossary of terms

AI	Artificial intelligence
AP	Accounts payable
AR	Accounts receivable
CCC	Cash conversion cycle
DIO	Days inventory outstanding
DPO	Days payable outstanding
DSO	Days sales outstanding
EBITDA	Earnings before interest, taxes, depreciation, and amortization
ER&I	Energy, resources, and industrials
FCF	Free cash flow
GDP	Gross domestic product
GenAI	Generative artificial intelligence
LSHC	Life sciences and health care
M&A	Mergers and acquisitions
PP	Percentage point
Q	Quarter
QoQ	Quarter over quarter
RCP	Retail and consumer products
SCF	Supply chain finance
T	Trillion
THS	Transportation, hospitality, and services
TME	Telecom, media, and entertainment
TMT	Technology, media, and telecommunications
WC	Working capital
YoY	Year over year

Basis of preparation and assumptions

- We analyzed the financial and working capital performance of publicly listed companies in the United States[1] with data publicly available as of March 16, 2025.
- Our analysis included 2,416 companies, looking at their WC performance and related key indicators.
- We also analyzed shifts in performance on a quarterly and annual basis.
- Due to the varying WC trends and profiles, we excluded the following industries from our analysis: financial services, government & public services, and diversified real estate activities.

Executive summary

Key statistics (YoY Q4 2023 to Q4 2024)[2]

Change in revenue
4.4%

Change in EBITDA
8.7%

Free cash flow
1.7%

Change in DSO
0.3 days

Change in DIO
-1.1 days

Change in DPO
0.8 days

- Red stands for deterioration
- Green stands for improvement

Executive summary (cont.)

Overview

In this year's edition of the annual Working Capital Roundup, Deloitte analyzed the WC performance of more than 2,400 companies across four primary industries. The study aimed to obtain an understanding of the trends and shifts in AR, inventory, and AP. Additional metrics, including FCF and cash from operations, were included to provide in-depth insight into the overall financial health and stability of such companies. The analysis was conducted against the economic backdrop of high interest rates, political uncertainty, and challenging macroeconomic conditions.

In 2024, the economy was relatively strong, with **GDP growth rates stabilizing and consumer spending rebounding.**[3] However, persistent inflationary pressures, driven by supply chain constraints and rising commodity prices, posed significant challenges. Tighter monetary policies implemented by the Federal Reserve further **complicated the management of working capital**. Fluctuating interest rates and increased costs of goods sold affected liquidity and operational efficiency.

Companies faced several primary risks, including **ongoing supply chain disruptions** that resulted in delays and increased inventory costs. **Labor shortages and wage inflation** pressured profit margins, **necessitating more strategic cash flow management**. Geopolitical tensions and trade uncertainties further complicated the landscape, requiring companies to adapt to shifting tariffs and regulatory changes. These risks highlighted the importance of **agile financial strategies and broad risk management practices** to maintain high-quality working capital levels and business continuity.

Data from 2024 indicates that **revenue experienced stronger growth than the prior year**, increasing from 1.6% in 2023 to **4.4% in 2024**. Net income saw similar growth, reaching 3.8% YoY. Additionally, **FCF as a percentage of revenue remained relatively stable** at 7.8% in 2024, compared to 8.0% in 2023.

Looking ahead, 2025 may bring more volatile macroeconomic conditions than seen in 2024. This environment underscores the need for companies to seek risk protection and implement broad working capital management policies.

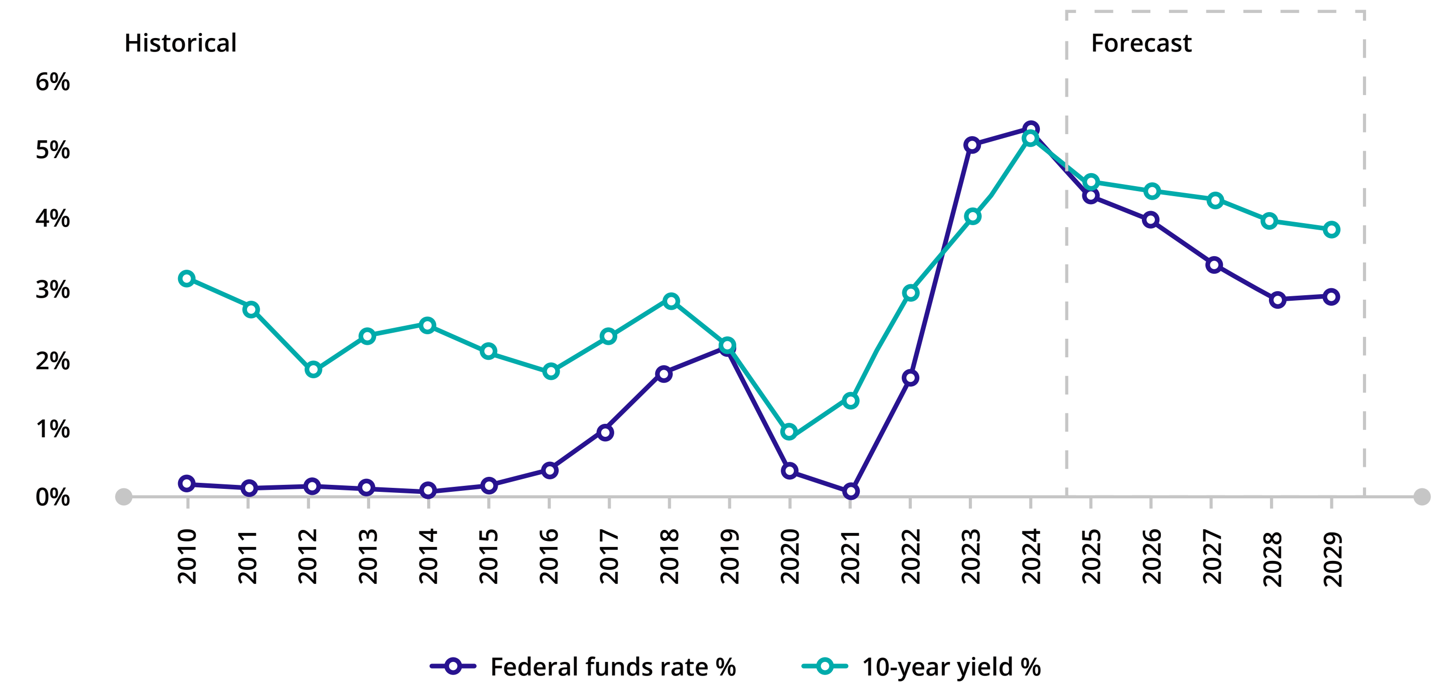
Executive summary (cont.)

Overview (cont.)

Looking further ahead, the overall macro economic outlook for the United States has cooled for 2025. GDP growth is anticipated to be around 1.7%, down from 2.4% in 2024, and the Federal Reserve aims to bring inflation closer to the 2% target. Labor markets remain solid, with low unemployment.[4] However, factors such as **dwindling consumer confidence and uncertainty around trade policies** are expected to continue challenging companies throughout 2025.

Companies with limited cash reserves and less access to credit are particularly susceptible to economic instability in 2025. Changes in trade policies may exert significant pressure on global supply chains, potentially causing considerable hardship for companies with limited financial flexibility.

Cash is becoming more expensive due to interest rates at 15-year highs



High interest rates are forecasted to persist for the next couple years (assuming nothing breaks in the economy in the meantime). Higher interest rates result in an **elevated cost of capital and a significant impact on cash/debt**.

Impact on key financial metrics

While still far from the strong revenue growth seen in 2021 and 2022 following the pandemic, 2024 showed an improvement over 2023, with companies analyzed experiencing **overall growth of 4.4%**, compared to just 1.3% in 2023.

The **growth was primarily driven by the LSHC** and **TMT industries**, which saw increases of 8.0% and 7.4%, respectively. LSHC experienced increased health care spending and greater adoption of digital health solutions. Meanwhile, TMT saw a boost from generative AI spending across many industries.

The ER&I sector experienced the slowest growth, at only 1.1% YoY. This was due to slower government spending on infrastructure and energy price volatility.

TMT exhibited the strongest EBITDA growth, with a 16.1% improvement over 2023. The Consumer and LSHC sectors also performed well, with EBITDA growth of 7.2% and 7.8%, respectively.

Conversely, ER&I saw a decline, falling 1.8% YoY. TMT also led in net income growth, increasing by 18.4% compared to 2023. The consumer sector saw more modest growth, at 5.9%. Both ER&I and LSHC experienced declines in net income to 15.2% and 19.9%, respectively.

Going down to the sector level, 2024 proved to be an excellent year for technology, which saw 10% revenue growth and a 4.7-day improvement in CCC. Alternatively, automotive maintained revenue growth, though it slowed to only a 3% increase over 2023, but saw CCC deteriorate by 2.7 days. Macroeconomic conditions may contribute to a similar trend in 2025.

While overall revenue growth was strong, companies' financial health faced some headwinds in 2024. After significant growth in 2023, **cash and cash equivalents saw a slight dip of 0.3%. Net debt increased for the third consecutive year**, growing by 6.6%, following increases of 5.6% in 2023 and 8.3% in 2022 across all industries.

Following the robust FCF growth of 13.8% in 2023, 2024 saw a modest increase of only 1.6%. Additionally, **FCF as a percentage of revenue dipped slightly from 7.9%** in 2023 to 7.7% in 2024. FCF as a percentage of revenue continues to lag the 8.7% and 8.5% levels seen in 2020 and 2021, respectively.

This trend suggests that companies might be struggling to manage their debt levels and generate cash from their operations. The increased borrowing activity coupled with higher interest rates could indicate potential financial strain.

WC performance, as measured by the CCC, improved YoY by 1.4 days. This marked a reversal of the decline seen in 2023 and is primarily attributable to a 1.3-day decrease in DIO, while DSO and DPO remained relatively flat YoY.

Impact on key financial metrics (cont.)

Overall, 2024 was a year of growth and improvement for the companies analyzed. Almost all the major financial indicators saw improvement, with strong growth in EBITDA, in particular, and only a very minor drop in FCF as a percentage of revenue. Similarly, the working capital measures primarily trended to improvement, with only a small increase in DSO of 0.3 days to detract from an otherwise positive year.

Improvements in the CCC were observed across the consumer, LSHC, and TMT industries, by 1.7, 1.1, and 1.9 days, respectively. Conversely, the ER&I industry experienced a slight deterioration of 0.2 days.

In a reversal from 2023, **59.9% of companies showed improvements in CCC in 2024**, with the TMT industry leading the way, as 69.9% of companies in this industry reported CCC improvements.

When evaluating CCC performance by revenue size, all revenue categories showed that a majority of companies experienced an improved CCC. This ranged from 52% in companies with total revenues under $500 million to 61% in companies with revenues exceeding $10 billion.

Impact on key financial metrics: Annual view

Metric	2022	2023	2024	Change YoY
Revenue	$18.7T	$19.0T	$19.8T	4.4% ↑
EBITDA	$3.1T	$3.2T	$3.4T	8.7% ↑
Net income	$1.4T	$1.5T	$1.5T	4.1% ↑
Cash from operations	$2.4T	$2.7T	$2.8T	4.8% ↑
Free cash flow	$1.3T	$1.5T	$1.5T	1.7% ↑
FCF as % of revenue	7.0%	8.0%	7.8%	-0.2pp ↓
CCC	26.0 days	27.7 days	26.2 days	-1.5 days ↓
DSO	38.4 days	38.4 days	38.7 days	0.3 days ↑
DIO	46.5 days	47.6 days	46.5 days	-1.1 days ↓
DPO	58.9 days	58.3 days	59.1 days	0.8 days ↑

Working capital performance

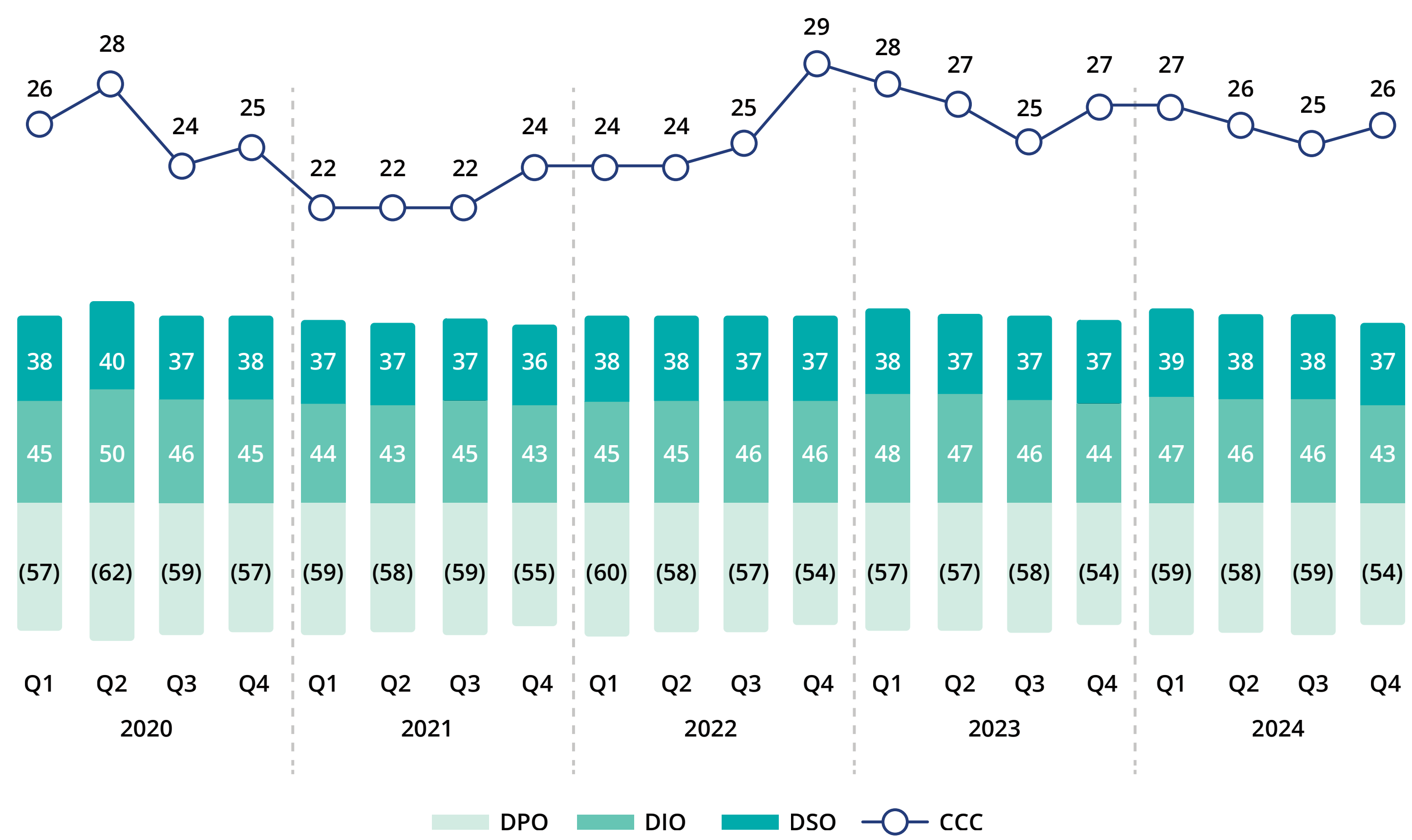
The overall CCC remained relatively stable throughout 2024, ending the year with a 1-day improvement from Q4 2023. CCC remains above five-year lows seen in 2021 but has stayed clear of highs at the end of 2022.

DSO was generally higher throughout the year with a cyclical dip in Q4, **deteriorating by 0.3 days** YoY and standing 1 day above the leading annual performance recorded in the past five years. This suggests companies are **keeping a vigilant eye on customer payments**. All industries except TMT showed improvement in DSO from Q1 to Q4 2024.

Q1 2024 marked a **significant quarterly surge in DIO**, escalating from 44 to 47 days—a similar trend observed in Q1 2023. However, it gradually declined throughout 2024, **ending the year at 43 days, matching the leading quarterly performance** in the past five years. This trend was seen across all industries.

Finally, **DPO saw a drop in the final quarter of 2024**, matching Q4 2023 at 54 days. This significantly contributed to the deterioration in CCC in Q4 across many sectors and industries.

CCC trend by quarter (days)



Source data: S&P Global Market Intelligence; public financial data; quarterly earnings report
DXO figures are calculated weighted averages.

Working capital performance (cont.)

- Recent data reveals **enhancements in WC performance across 5 out of the 10 sectors**, with gains ranging from 0.1 to 4.8 days, **led by the technology sector**. The sectors experiencing declines saw relatively small dips between 0.1 and 1.4 days, indicating a rather strong year for WC performance overall.
- Unlike previous years, **no sectors saw declines across all phases of working capital**, contributing to the overall improvement in the CCC compared to 2023.
- In 2024, **WC performance improvement was evident in only 60% of the evaluated companies**. The consumer and TMT sectors saw the largest percentage of CCC improvement, at 64% and 66%, respectively, while ER&I and LSHC sectors saw improvement in approximately 53% of evaluated companies.
- When categorized by revenue size, **mid-to-large-size companies** (more than $1 billion in annual revenue) **generally saw improvements in CCC**, while those under $1 billion in revenue experienced deterioration in CCC, driven by increases in DSO and DIO.
- The **largest companies** (with revenues of more than $10 billion) in the **technology and RCP sectors were most likely to see CCC improvements**, with 80% and 76% of companies reporting improvements, respectively. However, smaller companies in these sectors significantly trailed behind, with only 57% and 55% reporting improvements, respectively.

YoY changes in DSO, DIO and DPO by sector (days)

Industry	CCC 2023	DSO	DIO	DPO	CCC 2024	YoY change
Technology	30	0.4	-1.0	4.2	25	(4.8)
Retail & consumer products	21	0.6	-1.2	2.8	17	(3.4)
Life sciences	47	-1.4	-1.0	-6.0	46	(1.8)
Industrial products and construction	127	-0.6	-2.7	-2.0	126	(1.2)
Energy & chemicals	34	1.3	-0.8	0.7	34	(0.1)
Transportation, hospitality and services	13	-0.3	-0.1	-0.5	13	0.1
Power, utilities and renewables	21	2.4	2.6	4.9	21	0.1
Healthcare	(22)	-1.0	-0.7	-2.1	(21)	0.4
Automotive	29	-2.0	-1.1	-2.1	30	1.2
Telecom, media and entertainment	(24)	1.5	-0.9	-0.8	(23)	1.4

Improvement | Deterioration

DSO DIO DPO

Source data: S&P Global Market Intelligence; public financial data; quarterly earnings report

Industry findings: Consumer

Industry average 2024

CCC
18.7
days

DSO
24.8
days

DIO
47.0
days

DPO
53.1
days

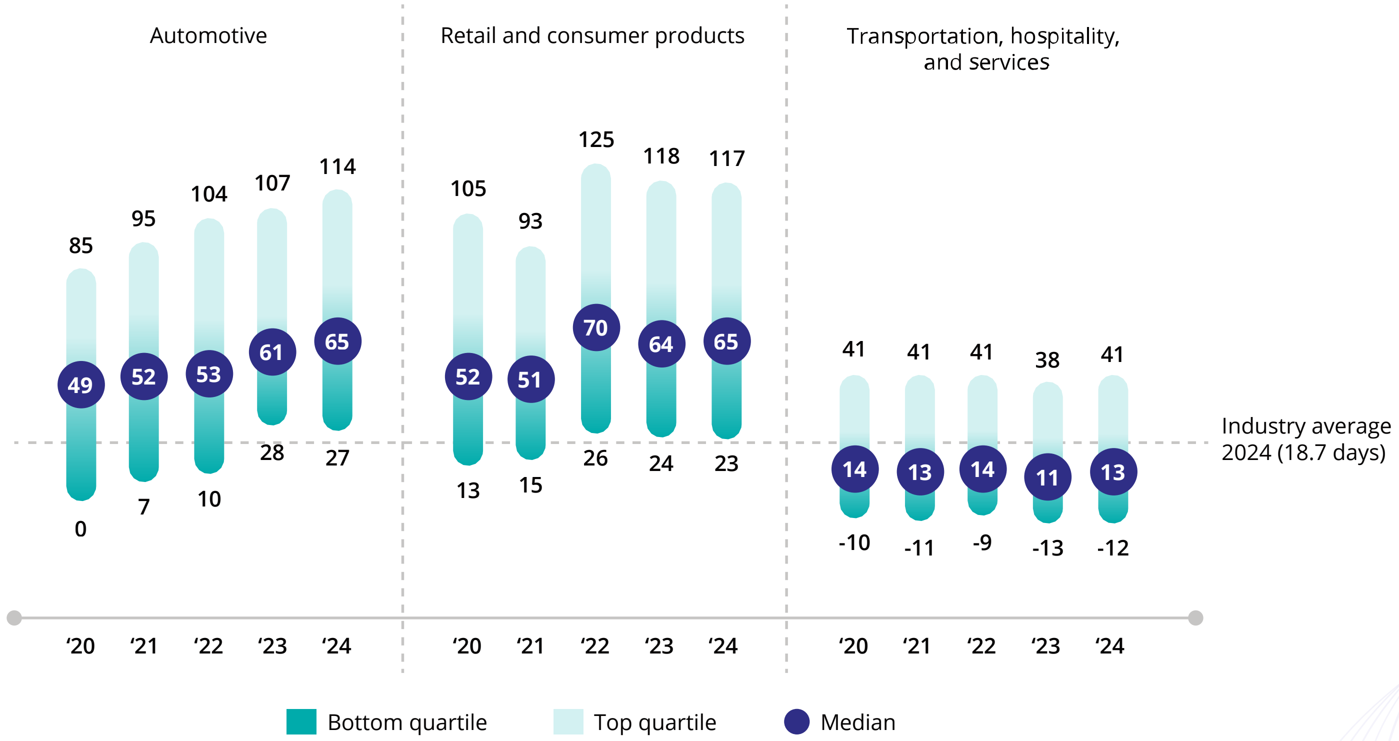
Red stands for deterioration

Green stands for improvement

- Amid improving macroeconomic conditions, the **consumer industry** demonstrated **continued growth of 3% YoY.**
- All three consumer subsectors maintained revenue growth, although there was a slowdown in the automotive sector compared to 2023. **RCP grew by 2%, THS by 5%, and automotive by 3%.**
- From a profitability standpoint, the **RCP and THS sectors exhibited EBITDA growth of 9% and 6%**, respectively. After a decline in 2023, the **automotive sector's EBITDA grew by 10%**, driven by improved cost management and operational efficiency.
- The consumer industry **median CCC for 2024 was 40.8 days, a slight increase from prior year**, led mainly by an increase of 4 days recorded in the automotive sector. Meanwhile, RCP and THS sectors recorded modest increases.

- Looking ahead to 2025, the **consumer industry shows signs of a relatively positive outlook**. Spending is likely to grow, while inflationary pressure diminishes. The major risks to this scenario involve the evolution of geopolitics and trade barriers, which warrant a focus on supply chain resilience and redundancy.[5] AI will likely be pivotal in improving supply chains, enhancing customer experiences through personalized marketing, and enabling autonomous driving technologies, thereby improving efficiency and innovation across the industry.

CCC in days by sector from 2020 to 2024



Source data: S&P Global Market Intelligence; public financial data; quarterly earnings report

Industry findings: Consumer (cont.)

Analysis for the consumer sector

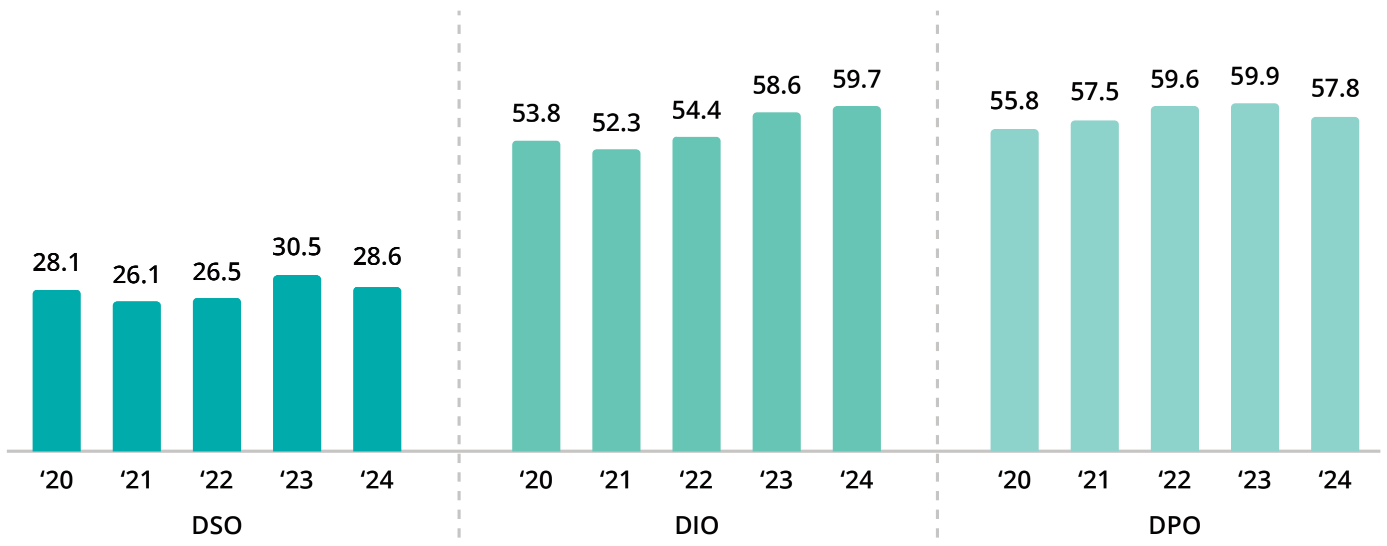
Automotive

- With sales growth decelerating, there was a 1.9-day improvement in DSO; however, it was overshadowed by a 2.1-day reduction in DPO and a 1.1-day increase in DIO. Companies with revenues ranging from $5 billion to $10 billion saw the most significant increase in CCC at 6.5 days.
- Both operating and free cash flow improved in 2024, with the **decrease in DPO likely driven by faster payments to enhance vendor relationships**—a necessary step to mitigate supply chain challenges. However, **inventory pressure remains a significant challenge** due to decreasing demand, as evidenced by slower revenue growth.

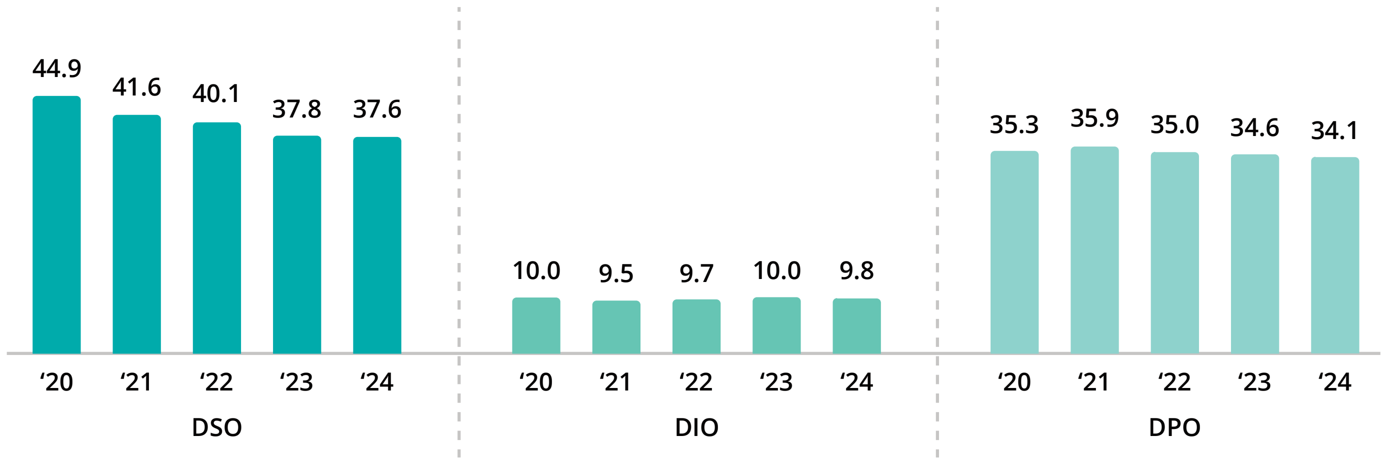
Transportation, hospitality, and services

- The THS sector experienced a comparable revenue increase of 5%. Within this sector, **airlines, hospitality, and restaurants and food services demonstrated robust top-line growth**. However, the transportation segment underperformed, registering only a 2% revenue increase. Post-pandemic recovery and adaptation of digital tools has resulted in decline in DSO in recent years. Companies with revenue from $500 million to $1 billion achieved the most improvement in CCC of 2.6 days.
- The travel outlook remains positive, with 37% of Americans reporting an improved financial situation, up from 31% in 2023.[6]

Automotive



Transportation, hospitality, and services



Source data: S&P Global Market Intelligence; public financial data; quarterly earnings report
DXO figures are calculated weighted averages across the sectors.

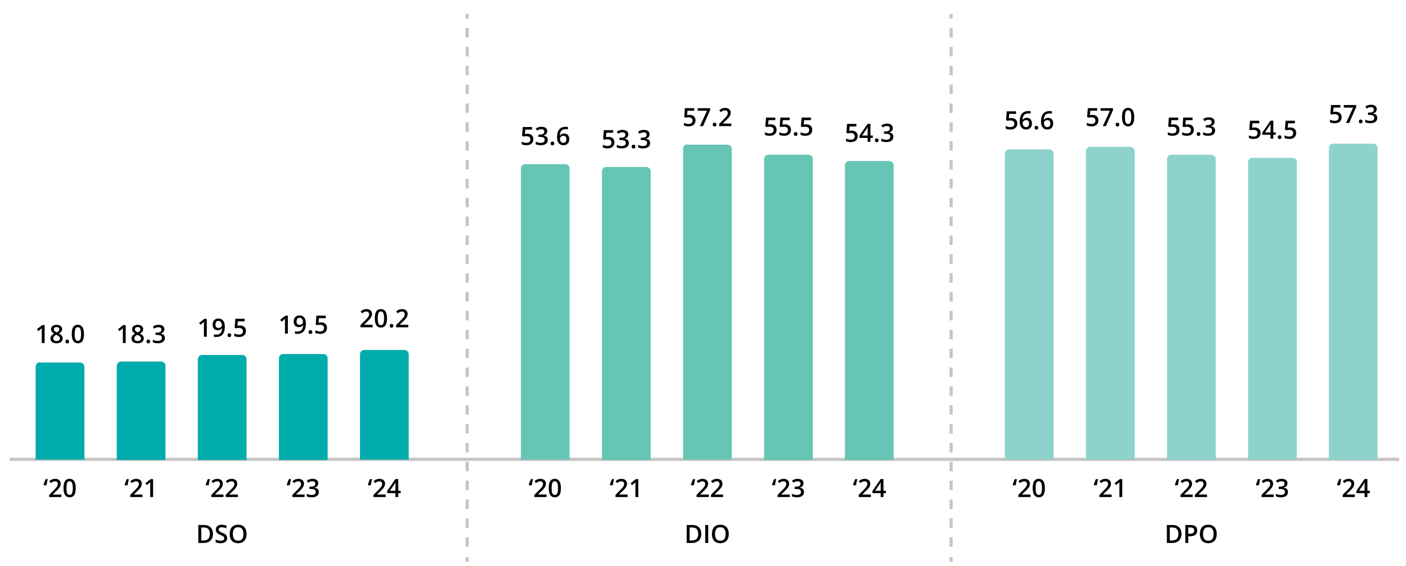
Industry findings: Consumer (cont.)

Analysis for the consumer sector

Retail and consumer products

- The **RCP sector experienced revenue growth of 1.8%** in **2024**, despite the Federal Reserve's interest rate cuts in late 2024. The trend toward discount stores persisted, with a notable 9% increase in revenue, while department stores saw a modest 2% revenue growth.
- Despite these marginal revenue gains, retailers have effectively managed inventory and supplier relationships, evidenced by a **1.2-day decrease in DIO and a 2.8-day increase in DPO**. Companies with revenues greater than $10 billion had the most decrease in CCC at 3.3 days, signifying their greater negotiating power.

Retail and consumer products



Source data: S&P Global Market Intelligence; public financial data; quarterly earnings report
DXO figures are calculated weighted averages across the sectors.

Industry findings: Energy, resources, and industrials

Industry average 2024

CCC 60.4 days

DSO 53.0 days

DIO 63.8 days

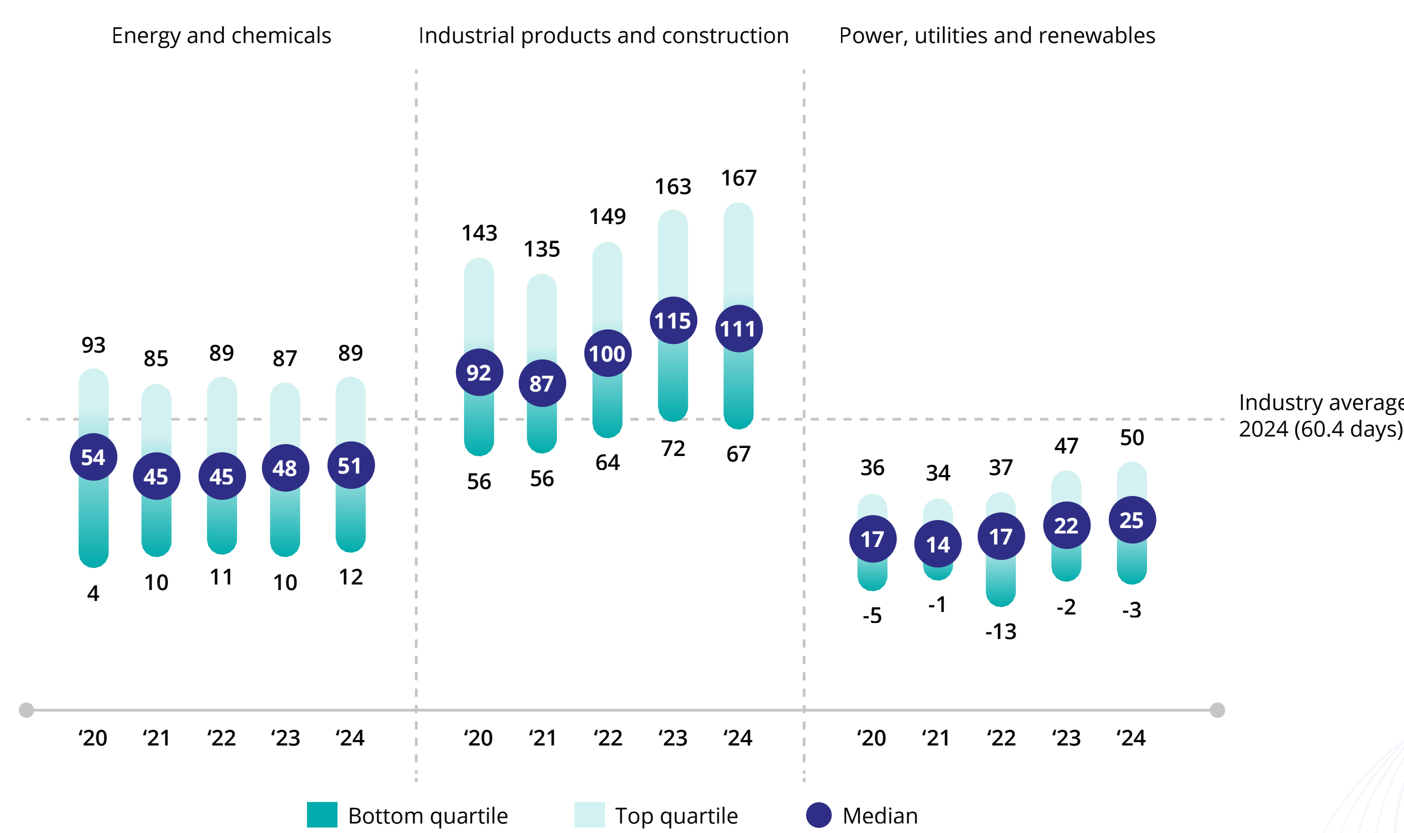
DPO 56.5 days

Red stands for deterioration

Green stands for improvement

- In 2024, the **ER&I segment experienced relatively flat growth**, with a modest 1.1% increase in revenue compared to the previous year.
- The **energy and chemicals sector largely contributed to this stagnation**, reporting a 0.3% YoY decline. **Several key disrupters dampened demand growth in 2024**, including market volatility and inconsistent economic growth, supply chain disruptions, geopolitical uncertainty, and climate change associated challenges.[7]
- Conversely, the industrial products and construction sectors performed better, achieving an annual revenue increase of 2.6%. This growth was partly driven by a surge in infrastructure and supply chain investments, coupled with a resurgence in corporate capital expenditures driven by growing confidence in market conditions.[8]
- In 2024, the **power, utilities, and renewables sector** carried the broader segment, achieving a **3.2% increase** in revenue when compared to the previous year. This growth was largely driven by heightened demand from the emergence of AI data centers and modest economic expansion.
- While both the industrial products and construction sectors and the power, utilities, and renewables sector experienced a decline in net profitability margin in 2024, the **power, utilities, and renewables sector reported a YoY increase in net profitability margin**.
- The **CCC for the ER&I segment remained steady at around 60 days**, with no significant changes observed across the energy and chemicals, industrial products and construction, and power, utilities, and renewables sectors.
- Looking ahead to 2025, increased capital discipline due to tumultuous market conditions and the need to free up capital for new technology investments will likely necessitate improved working capital management within the sector.[9]

CCC in days by sector from 2020 to 2024



Source data: S&P Global Market Intelligence; public financial data; quarterly earnings report

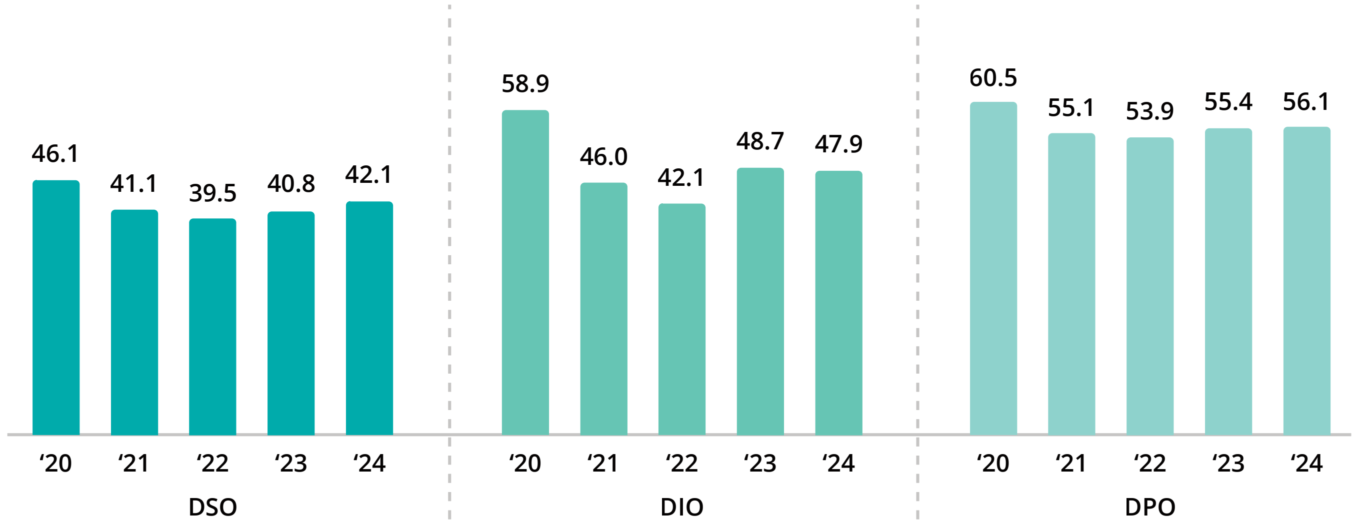
Industry findings: Energy, resources, and industrials (cont.)

Analysis for the energy, resources, and industrials sector

Energy and chemicals

- In 2024, the energy and chemicals sector experienced a year of **stability in both revenue and working capital metrics**. The sector's CCC remained constant, with no significant changes in DSO, DIO, or DPO. Although the sector made notable improvements in working capital metrics in 2021 and 2022, these gains began to regress in 2023. In 2024, DIO slightly decreased from 48.7 to 47.9 days, and DPO edged up from 55.4 to 56.1 days, while **DSO increased from 40.8 to 42.1 days**.
- Notably, companies with **revenues ranging from $1 billion to $5 billion saw many significant improvements in CCC**, decreasing by 6.2 days YoY. This reduction indicates that cash is being freed up for other purposes within these larger companies.

Energy and chemicals



Source data: S&P Global Market Intelligence; public financial data; quarterly earnings report
DXO figures are calculated weighted averages accross the sectors.

Industry findings: Energy, resources, and industrials (cont.)

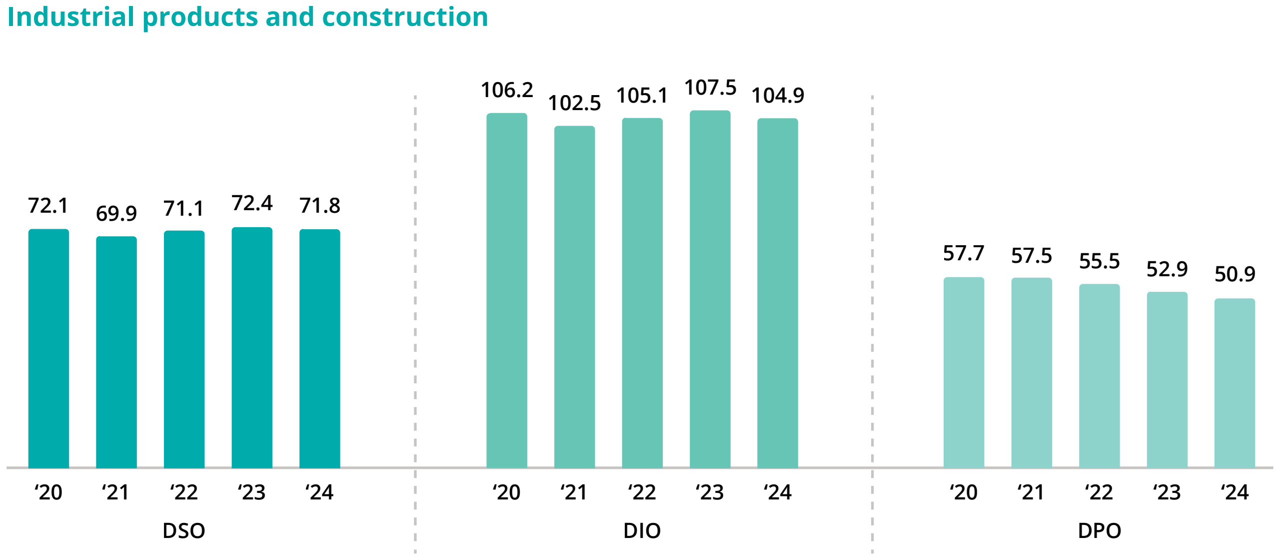
Analysis for the energy, resources, and industrials sector

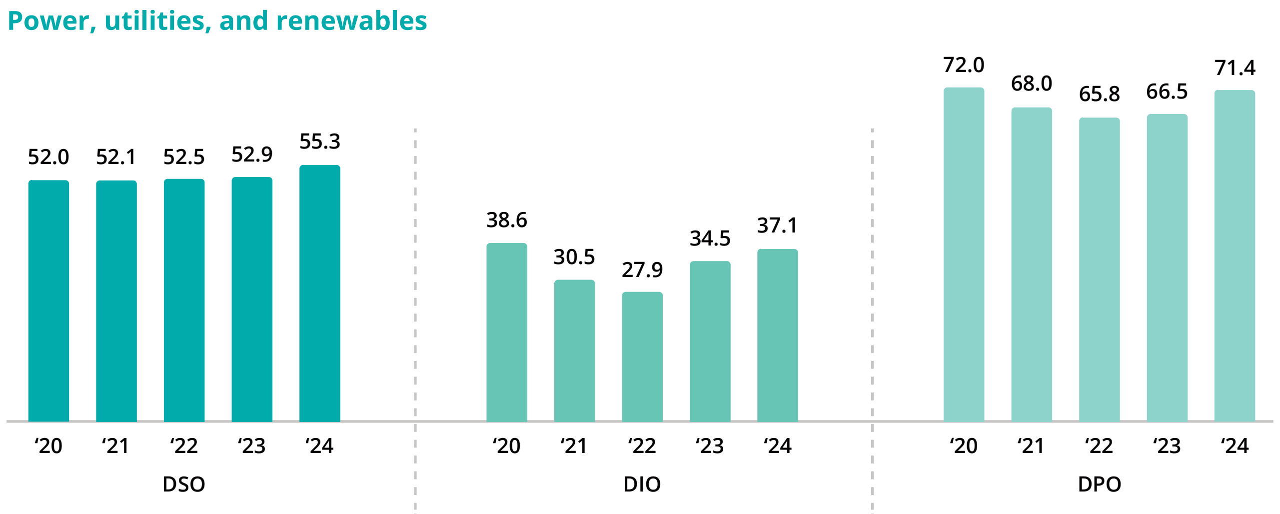
Industrial products and construction

- The IPC sector experienced a **1.2-day improvement in its CCC**, primarily driven by a **2.7-day decline in DIO**. This indicates that inventory is being moved faster YoY. However, **DPO decreased by 2 days YoY, suggesting an acceleration in payments to vendors**.
- Similar to 2023, companies with **revenues below $500 million saw the most significant increase in CCC, with a 23.4-day YoY rise**. Conversely, firms with revenues above $1 billion reported slight improvements in CCC, indicating that **larger entities in this sector might be leveraging their scale to enhance working capital positions**.

Power, utilities, and renewables

- The **power, utilities, and renewables sector stabilized in 2024** after experiencing significant setbacks in working capital performance in 2023. The sector's CCC saw a marginal increase of 0.2 days, compared to a 6.5-day increase in 2023. Notably, the largest moving component was a nearly **5-day surge in DPO**, indicating that vendors in the space may be losing leverage.
- However, the sector's **DIO deteriorated, increasing by 2.6 days**, or 8% YoY, while **DSO also increased by 2.4 days**, or 5% YoY.
- Interestingly, companies with revenues between $500 million and $10 billion achieved improvements in CCC, with an average decrease of 3.3 days. In contrast, **companies with revenues below $500 million and those with revenues exceeding $10 billion reported decreased CCC performance**.





Source data: S&P Global Market Intelligence; public financial data; quarterly earnings report
DXO figures are calculated weighted averages accross the sectors.

Industry findings: Life sciences and health care

Industry average 2024

CCC
11.6
days

DSO
38.2
days

DIO
34.6
days

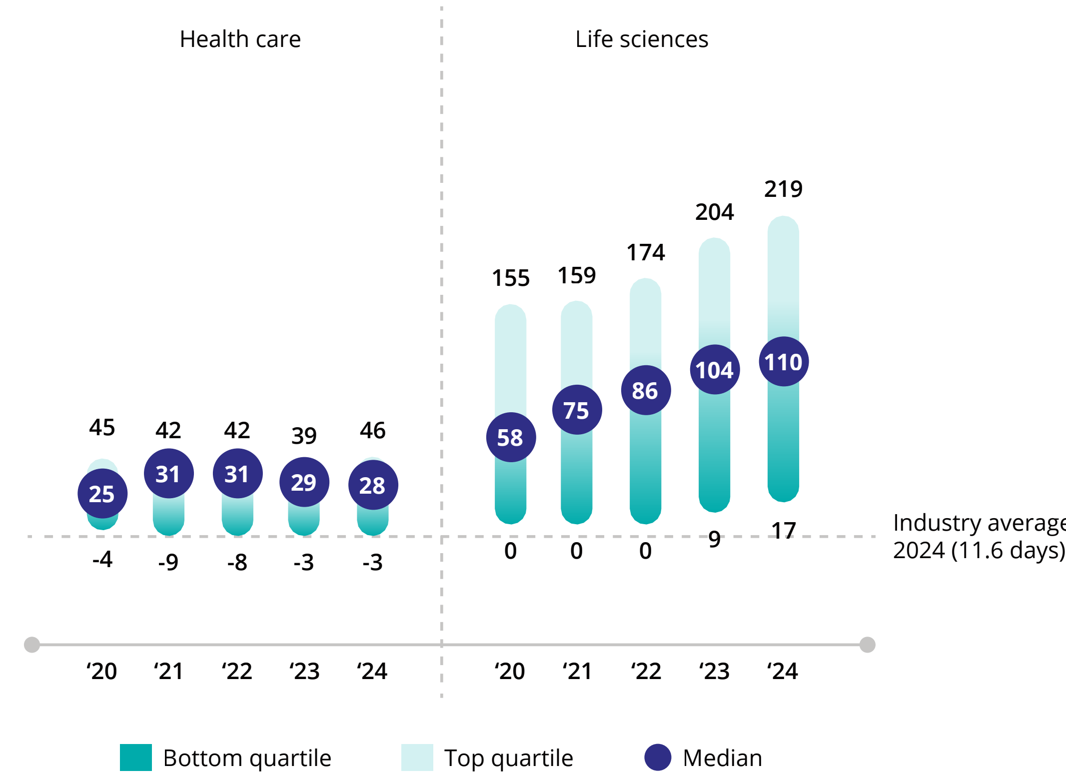
DPO
61.2
days

Red stands for deterioration

Green stands for improvement

- The LSHC industry reported an **8.7% revenue growth in 2024**, outpacing the 7% increase observed in 2023.
- The industry saw an enhancement in working capital performance in 2024, with the **CCC decreasing by 9.4%, or 1.2 days, YoY**, thereby sustaining its momentum above pre-pandemic levels. This improvement was driven by a **reduction of 1.3 days in DSO, a 1.4-day decrease in DIO**, and an offsetting decrease of 1.5 days in DPO.
- **Operating cash flow increased by 3.1% in 2024**, contrasting with a 13.2% decrease seen in 2023 from 2022.
- **EBITDA experienced growth of 8.9% in 2024, marking the first YoY growth since 2022**. This indicates a remarkable rebound, as both 2022 and 2023 showed negative growth.
- Looking ahead, executives within the LSHC industry anticipate that **digital transformation initiatives, including more GenAI options, will likely begin to demonstrate positive revenue impacts in 2025**. Organizations are expected to harness the transformative capabilities of these technologies to generate value in multiple areas, such as reducing costs, accelerating development, and enhancing customer care channels.[10]

CCC in days by sector from 2020 to 2024



Source data: S&P Global Market Intelligence; public financial data; quarterly earnings report

Industry findings: Life sciences and health care (cont.)

Analysis for the LSHC sector

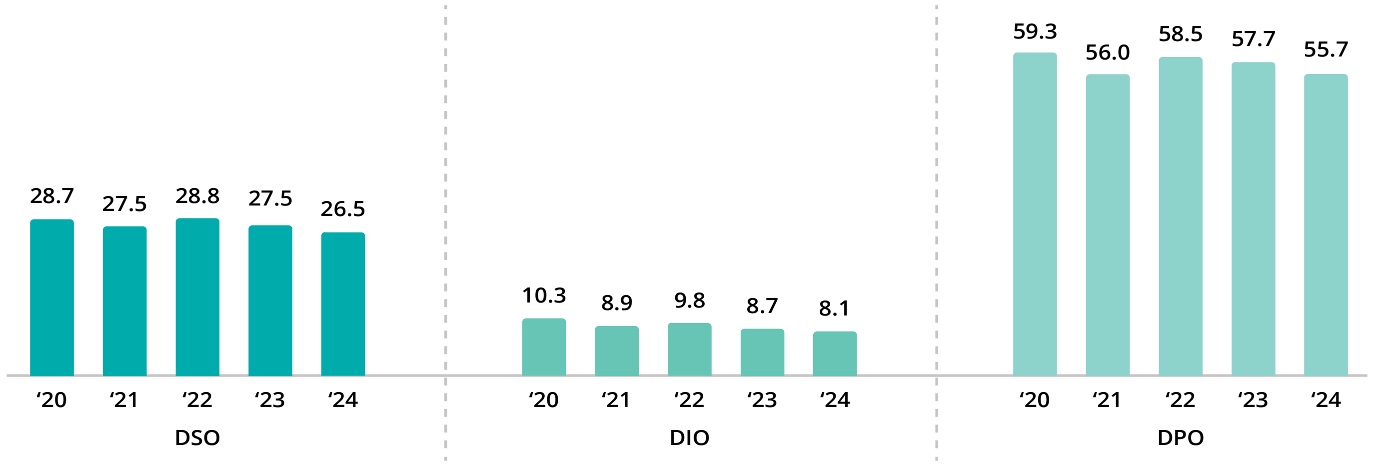
Health care

- In the health care sector, the CCC showed a slight YoY increase of 0.4 days. This increase is primarily attributed to a decline in DPO of 2.0 days. Although **DSO and DIO decreased** by 1.0 and 0.6 days respectively YoY, indicating modest gains in sales and inventory turnover, these improvements were **quickly offset by a significant shift toward faster payments to vendors**.
- However, on a QoQ basis, CCC performance deteriorated by 2.8 days from Q3 to Q4, as both DPO and DIO presented signs of weakening. Inventory turnover, as measured by DIO, increased by 1.4 days, while payments to vendors continued to accelerate for the second consecutive quarter.

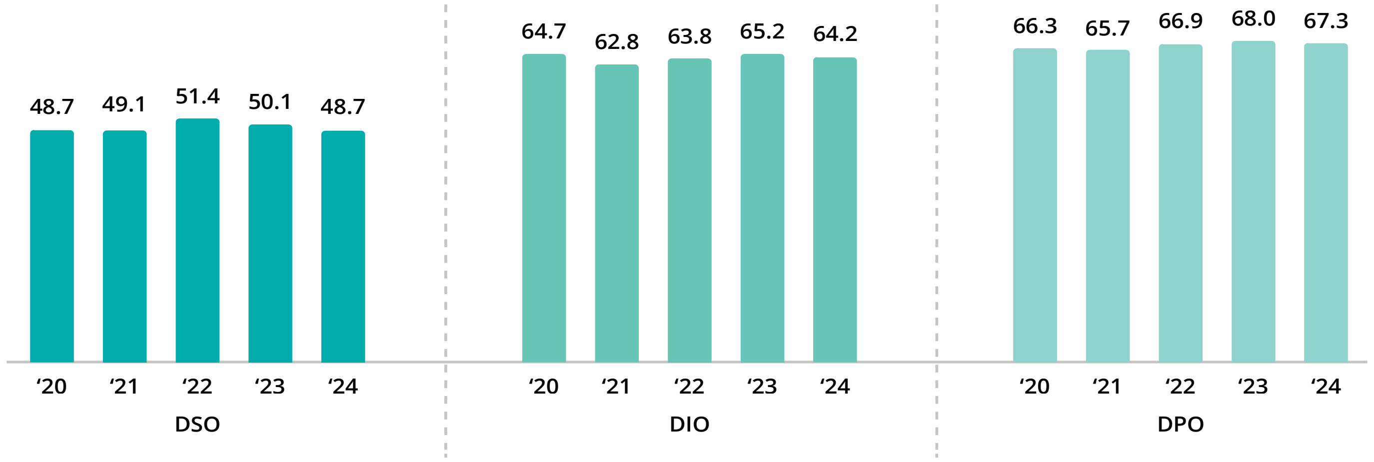
Life sciences

- In the life sciences sector, the **CCC performance improved YoY by 1.8 days**. This improvement was observed across all phases of the CCC. Notably, companies with revenues in the $1 billion to $5 billion and greater than $10 billion ranges demonstrated the most significant improvements, while all other revenue sizes showed slight YoY deterioration.
- Conversely, when considering QoQ performance, the CCC showed signs of weakening, with an increase of 4.4 days from Q3 to Q4. This deterioration was largely attributed to the **performance of DPO, which weakened by almost 10 days**. Although DSO and DIO both improved, these gains were not sufficient to offset the significant reversal in DPO.

Health care



Life sciences



Source data: S&P Global Market Intelligence; public financial data; quarterly earnings report
DXO figures are calculated weighted averages accross the sectors.

Industry findings: Technology, media, and telecom

Industry average 2024

CCC
8.5
days

DSO
49.6
days

DIO
34.9
days

DPO
76.1
days

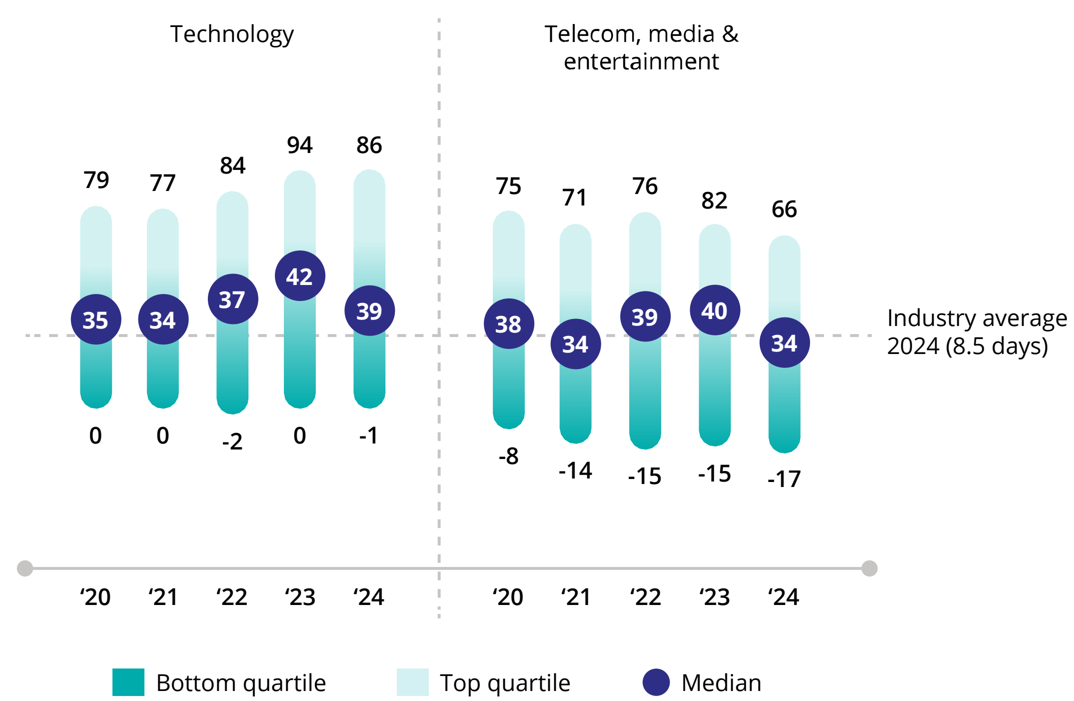
Red stands for deterioration

Green stands for improvement

- Throughout 2024, the **TMT industry experienced a return to more modest revenue growth, with an increase of 7.4%** over 2023, compared to only 3% the prior year. This growth was predominantly driven by the **technology sector, which expanded by 10%**, thanks in large part to the growth in GenAI spend.[11] This improved performance marked a slight return to form, narrowly surpassing the 2022 performance of 6.2%, but still falling short of the 5-year high of 15.8% growth in 2021.
- **Net income surged past the record highs of 2021** for the first time, with **strong growth of 18.3%** over 2023 levels. The technology sector again led the way, with an impressive YoY improvement of 23.4%.
- **Operating cash flow** continued its upward trend in 2024, **growing by 11.9%** compared to 13.4% in 2023. Consequently, free cash flow as a percentage of revenue improved again in 2024, rising to 16.5%, from 16.1% in 2023.
- **EBITDA surged** with a 16.1% improvement over 2023, and the **EBITDA margin reached a 5-year high of 28.6%**. Both the technology and TME sectors saw improvements in EBITDA margin, with a more modest increase of 1% for TME compared to the 3.6% growth for technology.

- The **CCC improved by 1.9 days YoY to 8.5 days**, though it remains well above the 5-year low of 0.5 days in 2021. Improvements in DPO and DIO offset a slight dip in DSO performance.
- Looking ahead to 2025, GenAI is expected to continue driving growth in the TMT sector. Additionally, some analysts project strong increases in global IT spending in 2025, so we may see another strong year for revenue.[12]

CCC in days by sector from 2020 to 2024



Source data: S&P Global Market Intelligence; public financial data; quarterly earnings report

Industry findings: Technology, media, and telecom (cont.)

Analysis for the TMT sector

Technology

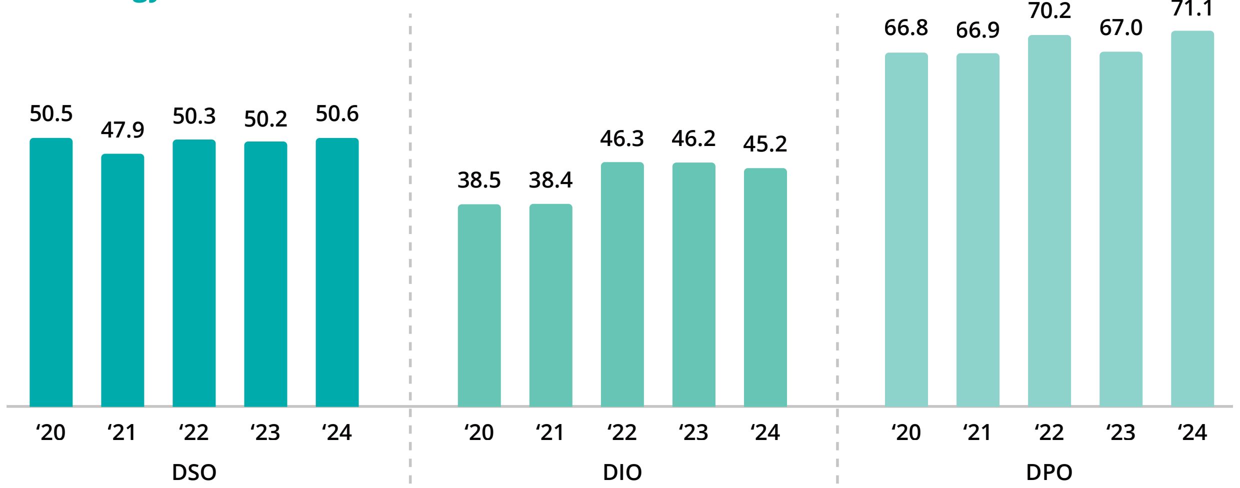
- The technology sector saw a return to form on CCC, dropping back to 24.7 days after an increase the prior year. Only the smallest companies (with less than $500 million in annual revenues) saw worsening CCC, while many mid- to large-size companies saw modest to strong CCC improvements. The **primary driver of this improvement was an increase in DPO by 4.1 days** over 2023.
- In contrast, on a QoQ basis, CCC worsened from 24.3 to 30 days in Q4. This deterioration was driven by a significant drop in DPO during the quarter, suggesting that suppliers were applying more pressure on this sector at financial year end.

Telecom, media, and entertainment

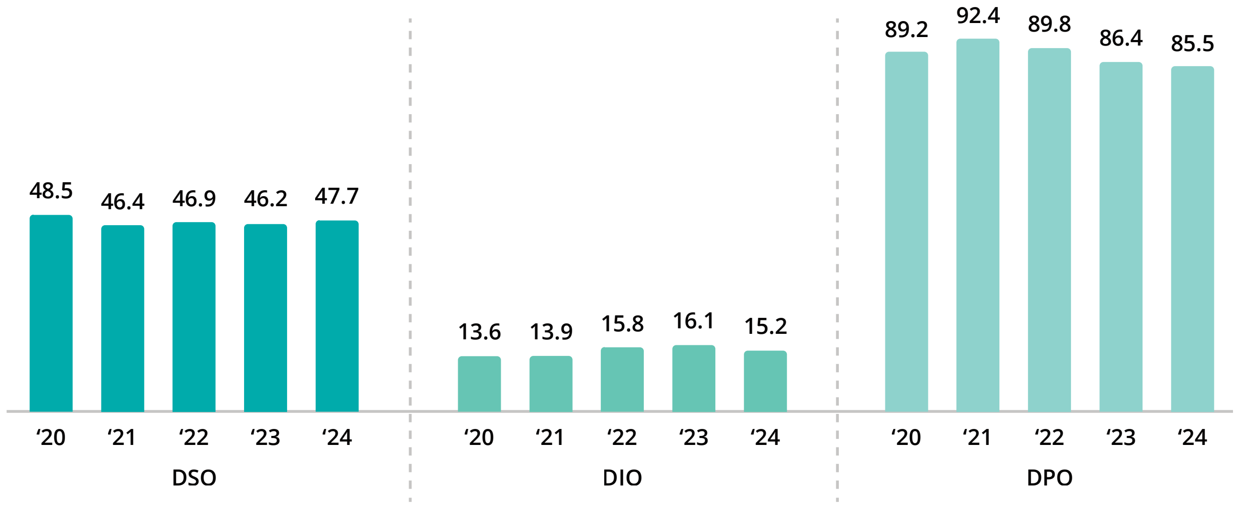
- In 2024, the **TME sector's CCC increased by 1.5 days**. Despite this deterioration, it represents a smaller growth compared to prior years, which saw increases of 3 and 4 days in 2023 and 2022, respectively. Smaller companies fared better, showing CCC improvements for those with annual revenues under $5 billion, while companies with revenues over $5 billion experienced CCC deterioration.

- Examining the QoQ results, there was a sharp decline in CCC from Q3 to Q4 by 10.3 days, following an improvement from Q2 to Q3 of 8 days. The primary factor in Q4's decline was a nearly 20-day reduction in DPO compared to Q3.

Technology



Telecom, media, and entertainment



Source data: S&P Global Market Intelligence; public financial data; quarterly earnings report
DXO figures are calculated weighted averages across the sectors.

Looking ahead: Impact of agentic AI

Cross-industry impact

Agentic AI could have an impact on various industries by automating complex tasks, improving operational processes, increasing personalized customer interactions, and fostering innovation, ultimately leading to increased efficiency, reduced costs, and the creation of new business opportunities.

New and augmented workforce skills and roles

Agentic AI will likely automate routine tasks, allowing employees to focus on strategic planning, creative problem-solving, innovation, and driving business growth.

Agentic AI has become a major focus across all industries

Agentic AI autonomously makes decisions and takes actions based on data, whereas traditional AI typically requires human intervention for decision-making.

What is agentic AI capable of?

- Independently makes decisions without human intervention
- Integrates insights from various data sources to improve decision-making processes
- Continuously learns and adapts from new data and experiences
- Anticipates needs and takes actions in advance
- Can initiate tasks and processes autonomously

Potential use cases for agentic AI for working capital

- Automating the processing of invoices, reducing the time and errors associated with manual handling
- Assessing the creditworthiness of customers and adjusting credit terms accordingly
- Identifying overdue payments and actioning by sending personalized email reminders to the customer, adjusting the customer's credit limit, and escalating the customer internally to make critical stakeholders aware of the overdue invoice
- Evaluating supplier performance and suggesting better payment terms
- Providing real-time cash flow forecasting by analyzing historical data and current financial trends
- Predicting demand and adjusting stock levels accordingly

Please note that these use cases are conceptual and may not be fully operational at this time.

Looking ahead: Supply chain finance

Increased adoption

SCF awareness is growing, and the technology is becoming more accessible; the cash flow management benefits will likely be increasingly valuable in a volatile and uncertain market.

Greater flexibility and risk avoidance

Suppliers will likely have access to greater liquidity to respond to market trends and buyers can extend payment terms without straining supplier relationships.

Supply chain finance (SCF) is becoming more common across different industries

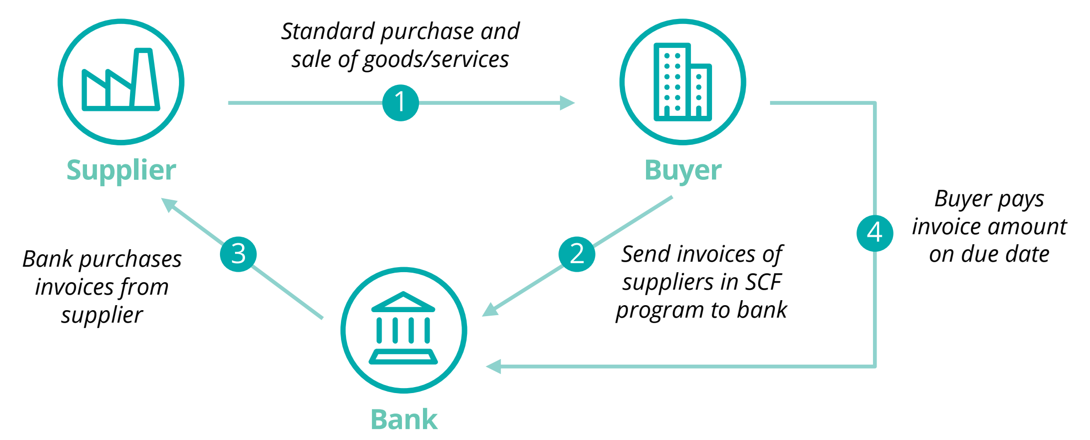
Advancements in digital transformation, increased adoption, a focus on sustainability, regulatory changes, and enhanced integration with enterprise resource planning systems is making SCF more accessible.

Impact on WC

- SCF allows suppliers to receive early payments, improving their cash flow and reducing the need for expensive short-term borrowing.
- Buyers, on the other hand, can extend their payment terms without straining supplier relationships, thus improving their own working capital.
- Suppliers can leverage the buyer's credit rating to access lower-cost financing, reducing the overall cost of capital and allowing them to invest more in their operations and growth.
- SCF strengthens relationships between buyers and suppliers by providing financial stability and fostering collaboration, leading to more favorable terms, better service levels, and increased loyalty.

Why this matters in 2025

- SCF helps mitigate risks associated with supply chain disruptions by ensuring that suppliers have the necessary liquidity to continue operations.
- This is particularly important in times of economic uncertainty or during global events that impact supply chains.
- Advancements in technology have allowed for increased automation and digitization of SCF processes, which reduces administrative burdens and errors, leading to more efficient financial operations and allowing companies to focus on strategic initiatives rather than manual processes.
- As markets see increasing levels of volatility from geopolitical events, the added flexibility and risk avoidance provided by SCF will likely be highly sought after in 2025.



Please note that these use cases are conceptual and may not be fully operational at this time.

Authors

Anthony Jackson
Principal
Deloitte Transactions and Business Analytics LLP
Cash & Working Capital Services Practice Leader
antjackson@deloitte.com

Wanya du Preez
Managing Director
Deloitte Transactions and Business Analytics LLP
wanyadupreez@deloitte.com

Jeff Keene
Vice President
Deloitte Transactions and Business Analytics LLP
jekeene@deloitte.com

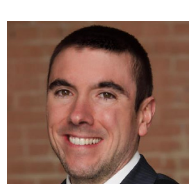
Additional contacts:

Michael Quails
Managing Director
Deloitte Transactions and Business Analytics LLP
mquails@deloitte.com

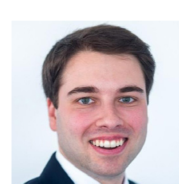
Justin Hughes
Senior Vice President
Deloitte Transactions and Business Analytics LLP
juhughes@deloitte.com

Ryan Maupin
Managing Director
Deloitte Transactions and Business Analytics LLP
Turnaround & Restructuring Services Practice Leader
rmaupin@deloitte.com

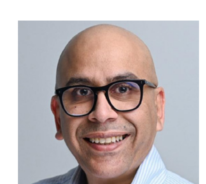
Special contributions from:



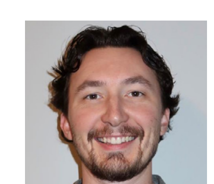
Sam Orton
Senior Consultant
Deloitte Transactions and Business Analytics LLP
sorton@deloitte.com



Austin Simon
Senior Consultant
Deloitte Transactions and Business Analytics LLP
ausimon@deloitte.com



Fowzi Ajmal
Senior Consultant
Deloitte Transactions and Business Analytics LLP
fajmal@deloitte.com



Jonathan DeVane
Senior Consultant
Deloitte Transactions and Business Analytics LLP
jdevane@deloitte.com

Ayesha Khan
Senior Consultant
Deloitte & Touche Assurance and Enterprise Risk Services India Private Limited
ayeskhan@deloitte.com

Endnotes

1. Companies could be headquartered in countries other than the United States.
2. S&P Global Market Intelligence; public financial data; quarterly earnings report; change calculated in percentage and days: annual values measured YoY Q4 2023 against Q4 2024.
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7. Lee Jongku and Rafael Cayuela, "*3 trends that are changing the chemical industry in 2024*," World Economic Forum Annual Meeting (Davos-Klosters, Switzerland), January 15–19, 2024.
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9. Rick Carr et al., *2025 oil and gas industry outlook*, Deloitte, 2024.
10. Pete Lyons et al., *2025 life sciences outlook*, Deloitte, 2024.
11. Steve Fineberg et al., *2025 technology industry outlook*, Deloitte, 2025.
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