



# Working Capital Optimization: Tips on how to release cash from your balance sheet to support your liquidity needs



17 June 2021 | 2.00pm – 3.00pm (BKK time)

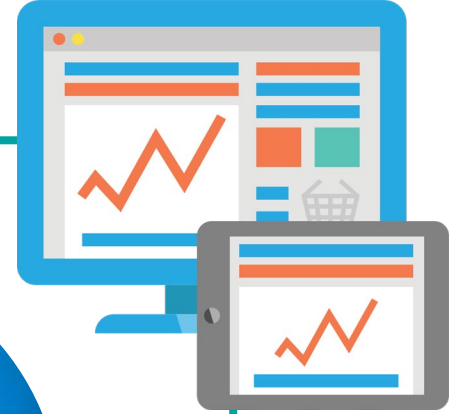
# Speakers



**Matt Crane**  
Director, Value Creation & Restructuring,  
Deal Advisory  
KPMG in Thailand



**Thitithorn Thongyingsakul**  
Associate Director, Transaction Service &  
Value Creation, Deal Advisory  
KPMG in Thailand



# Agenda

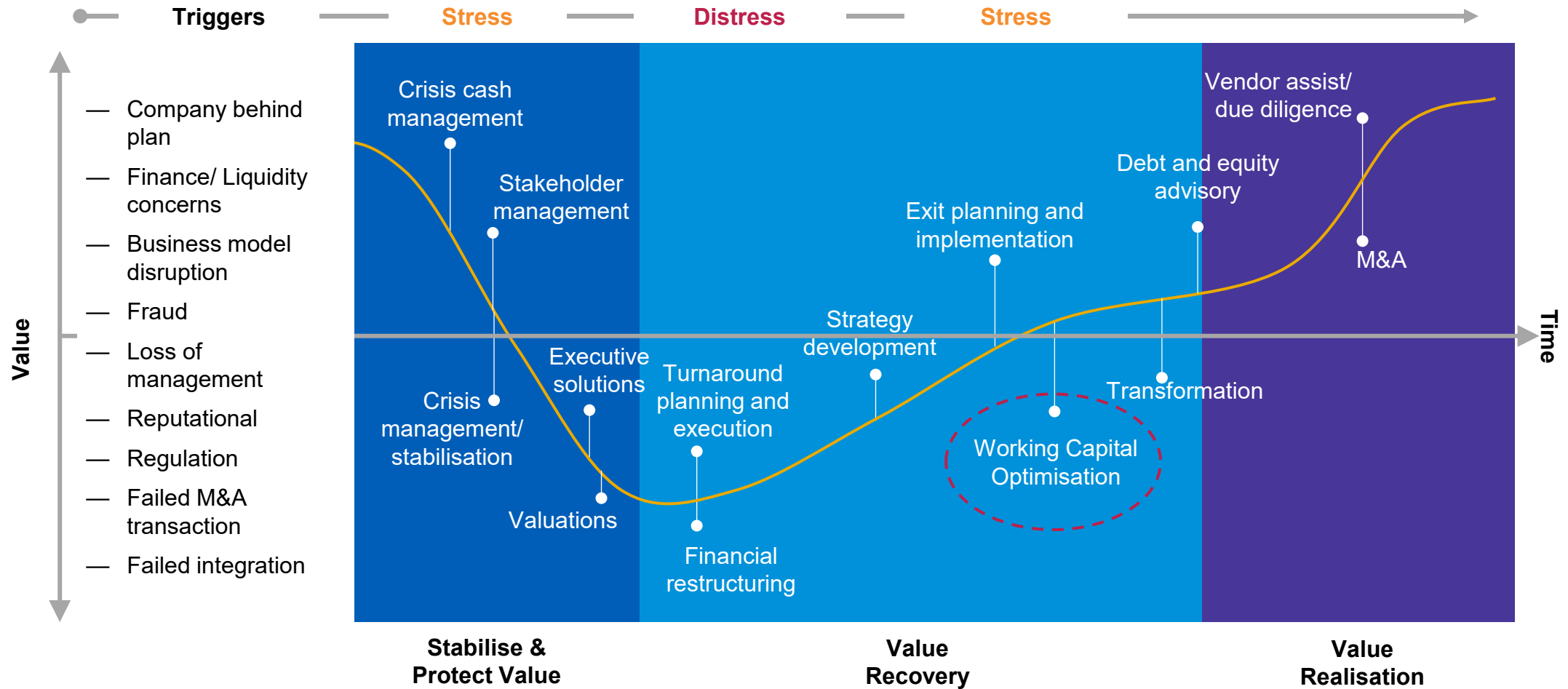
---

- 1.The importance of working capital under COVID-19 for Thai businesses
  - 2.Key concepts of working capital management
  - 3.Hints and tips of best practices to optimize working capital
  - 4.Sharing of our data analytic tools and real-life examples
  - 5.Q&A session
-

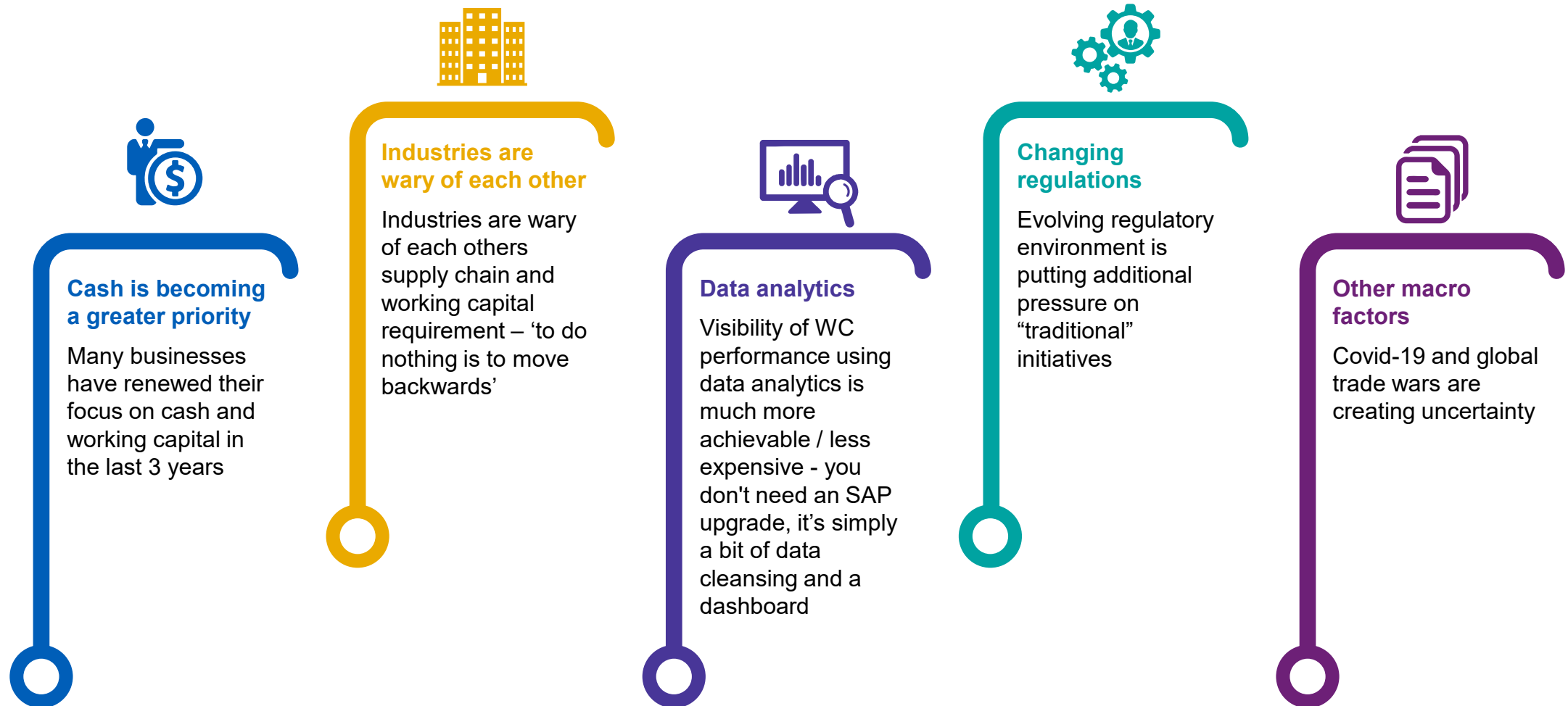


# The importance of working capital under COVID-19 for Thai businesses

# Working capital across the business cycle



# Trends in cash & working capital



# What drives cash-rich businesses to focus on WC?

1 Best practice processes and disciplines enabling financial flexibility

3 Self funding transformation

5 Acquisition of companies or purchase of fixed assets

7 Pay dividends to shareholders

2 Paying off long-term debt

4 Investing in R&D

6 Stakeholder focus

8 Responding to the regulatory environment



**It's a relatively cheap and untapped source of potential funding and a means by which economic value can be added**

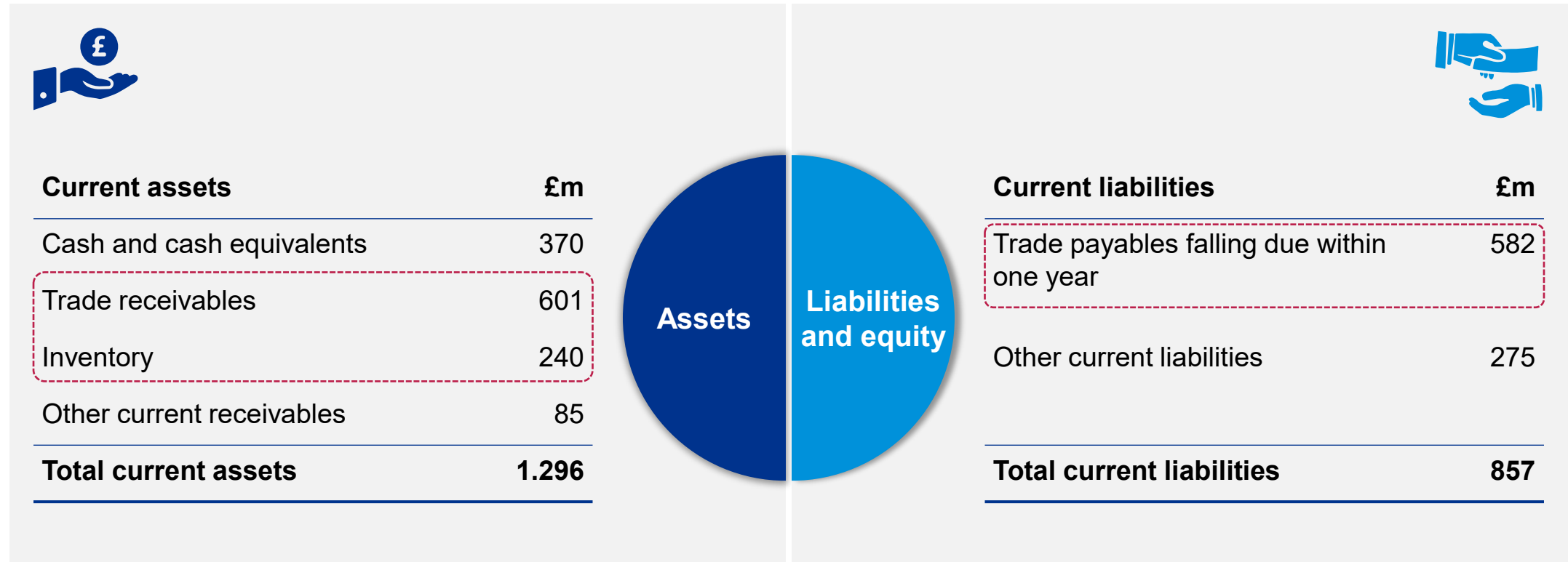


# Key concepts of working capital management

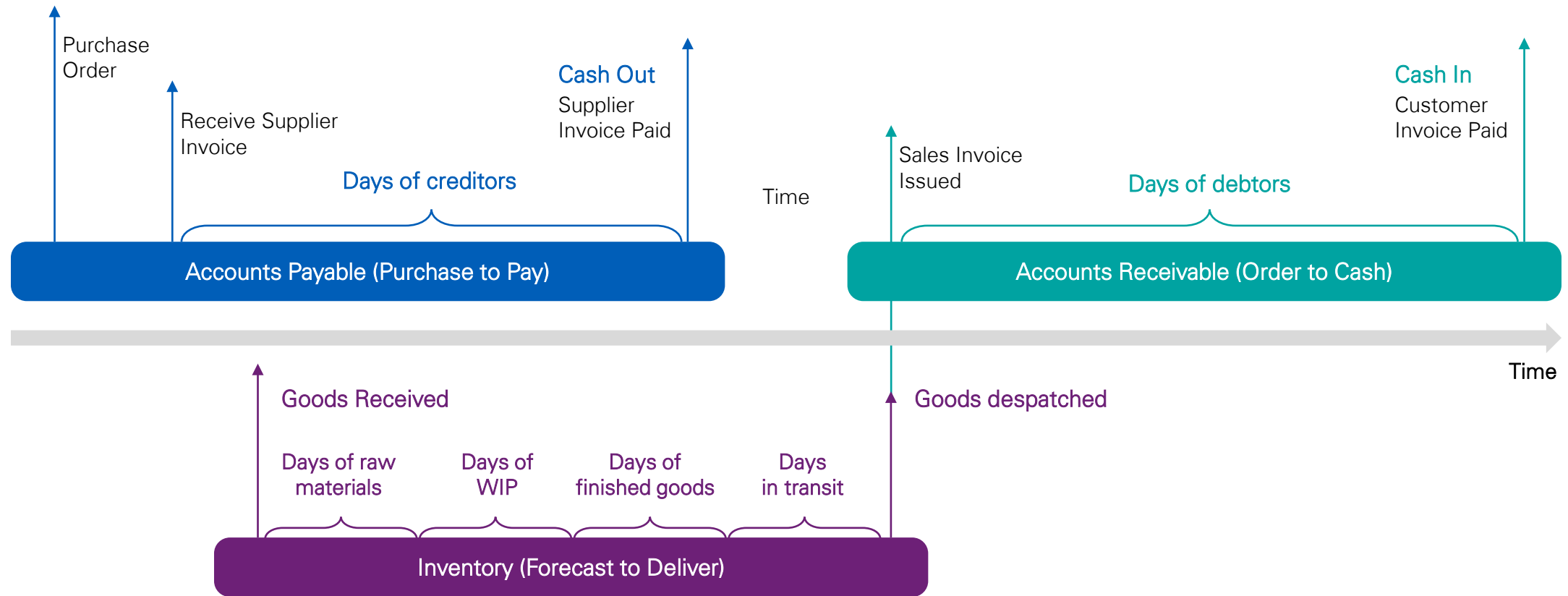
# Defining working capital

**Working Capital:** amount of cash necessary to run your day to day operations

When performing working capital optimization projects we focus on the trade elements of current assets and current liabilities – or Operational working capital. The three components of which can be found in the balance sheet.

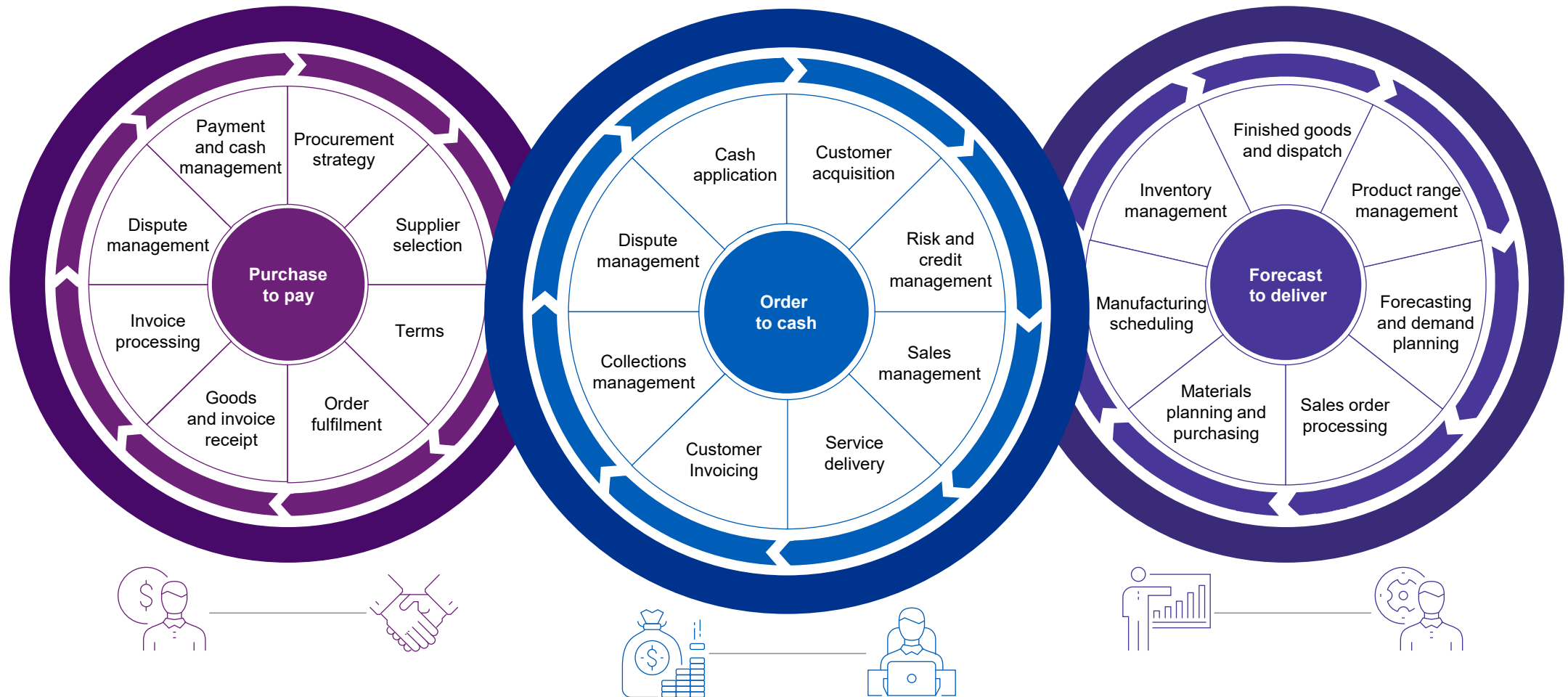


# The cash conversion cycle



The objective of a WC improvement programme is to optimise the Working Capital cycle ("Cash Conversion Cycle", "CCC") to release cash for other uses

# Three main cycles of working capital



# Who is interested in working capital?

## A full range of interested stakeholders



### Investors

Return on investment, dividends and share price growth



### Lenders

Liquidity of funds, assets to secure loans and profitability



### Customers/suppliers

Payment terms, working capital cycle, record of paying on time



### Managers

Profitability, market price and dividends



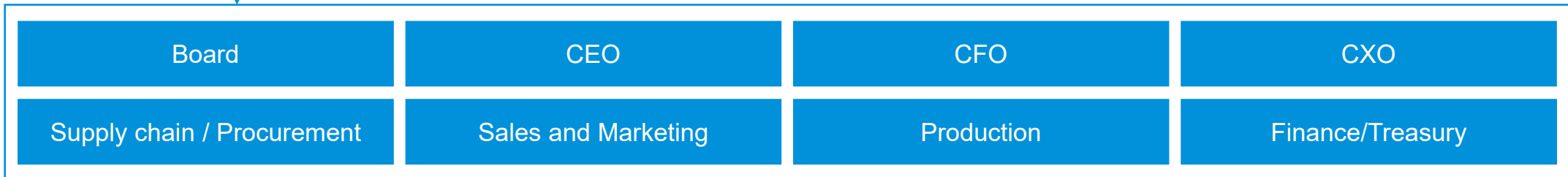
### Employees

Working environment, stability



### Gov. / Regulators

Tax information, ways of working, legislation





# Hints and tips of best practices to optimize working capital

# Key warning signs and triggers for working capital optimization

## Order to Cash



## Forecast to Deliver



## Purchase to Pay



### Lack of working capital metrics and reporting

Worsening debtor days (non collections)

Deteriorating customer aging profiles

Customers breaching credit limits

Growing volume of bad debts

Increasing unallocated cash balances

High or increasing stock coverage

Significant amount of slow-moving inventories

High number of SKUs

Disconnection between inventory and sales forecasting

No central inventory planning

No standard or agreed supplier terms

Significant early and late payments

No defined payment process

No contract management tool or VMF

High number of high-volume low-value invoices

# Effective working capital management during COVID-10

## Order to Cash



- Customers - Incentivize customers in order to maintain sales levels during periods of economic stress
- Invoicing and Collections - Put in place processes to ensure customers are invoiced in a timely manner, in accordance with contract terms

## Forecast to Deliver



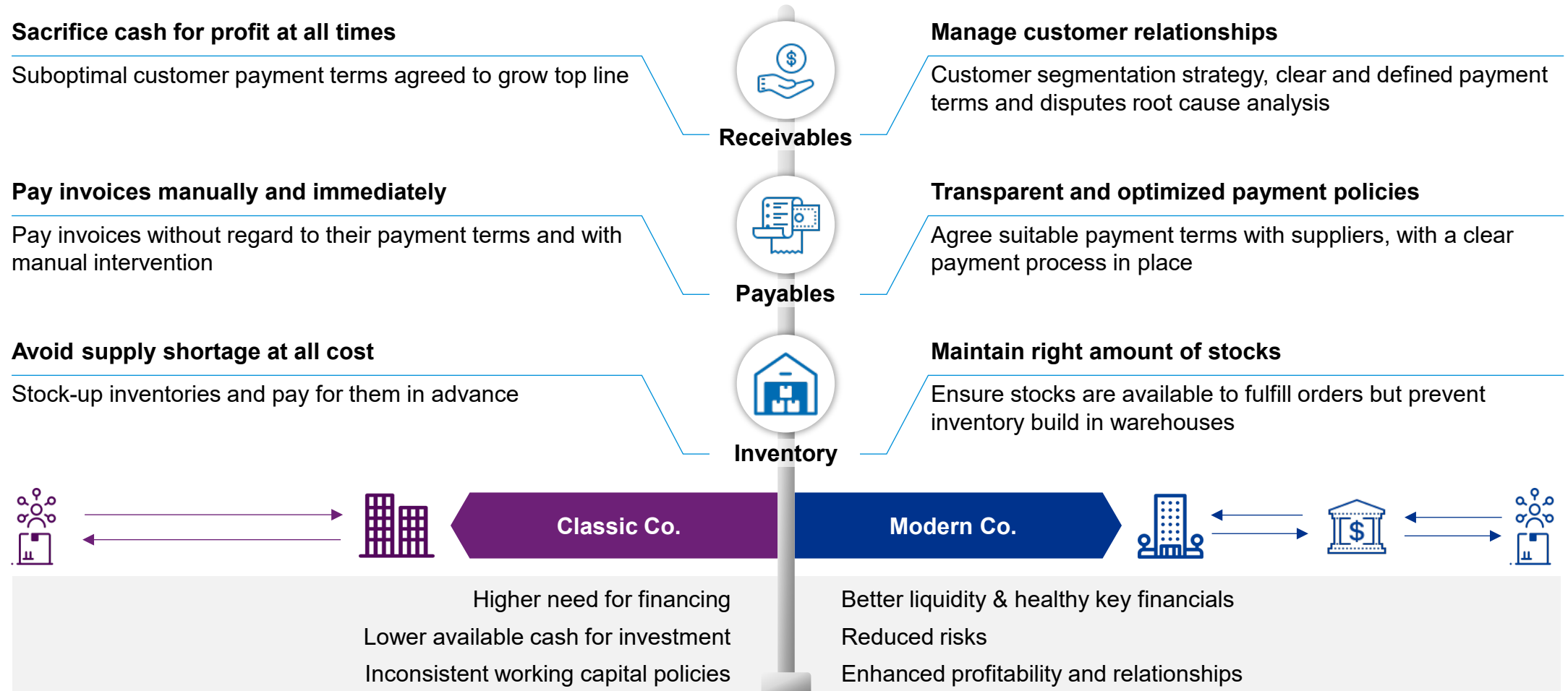
- Inventory Planning - Critically examine forecasted production requirements, the need for buffer stocks and SKU assortment
- Inventory Reporting - Ensure robust reporting around inventory levels is in place and review and adjust production planning and inventory levels in line with changing demand levels

## Purchase to Pay



- Payment Processes - Assess the frequency with which you make payments to suppliers, whilst ensuring transparency on when they can expect payment
- Supplier Terms - Considering market leverage and seek a mutual extension of payment terms with suppliers

# Focusing on working capital to improve performance



# Five tips for effective working capital management



## **Gain visibility of your working capital and cash flow requirements**

Develop and embed a robust forecast of cash flow and working capital for the business. We recommend a 13-week forecast as well as a 12-month forecast.



## **Take a proactive approach to invoicing and collections**

Make sure customers are invoiced in a timely manner and pay in line with contracted terms, with actions taken immediately where payments become overdue.



## **Examine forecasted inventory requirements**

Critically assess forecasted stock requirements to identify any unnecessary buffer inventories, and highlight inefficiencies in SKU assortment to avoid cash tied up in slow-moving products.



## **Consider how frequently you make payments to suppliers**

Instill fair and transparent payment processes with your suppliers so they know when they will be paid, whilst ensuring that the payments are paid only in accordance with the contract terms.



## **Leverage data and analytics tools to monitor working capital**

Embed operational levels of reporting to ensure you have granular visibility of working capital at a customer, supplier or SKU level to support identification of issues and decision making.



Sharing of our data analytic  
tools and real-life examples

# Leading data analytics tools

KPMG's leading working capital diagnostic methodology utilizes proprietary cutting-edge data visualization software. Drawing from multiple, standard, ERP data outputs our software is able to quickly analyse and prioritize working capital enhancement opportunities.

This output is dynamic and users have the ability to interact 'live' with their data, adjusting assumptions and performing sensitivity analysis in a real time environment, quickly getting to the root cause of problems. Coupled with our extensive experience of where to look, this is a powerful methodology to enhance working capital performance.





# Thank you

## Contact



**Matt Crane**  
Director, Value Creation &  
Restructuring, Deal Advisory  
Email: [mcrane1@kpmg.co.th](mailto:mcrane1@kpmg.co.th)



**Thitithorn Thongyingsakul**  
Associate Director, Transaction Service  
& Value Creation, Deal Advisory  
Email: [thitithorn@kpmg.co.th](mailto:thitithorn@kpmg.co.th)



**Maetee Saerechavaroj**  
Manager, Strategy & Value  
Creation, Deal Advisory  
Email: [maetees@kpmg.co.th](mailto:maetees@kpmg.co.th)



**Toungrat Pichitdej**  
Assistant Manager, Value Creation &  
Restructuring, Deal Advisory  
Email: [toungrat@kpmg.co.th](mailto:toungrat@kpmg.co.th)

### KPMG Phoomchai Business Advisory L td.

48<sup>th</sup> Floor, Empire Tower  
1 South Sathorn, Yannawa  
Bangkok, Thailand  
Phone: (66) 2677 2000  
Fax: (66) 2677 2222



[home.kpmg/th](https://home.kpmg/th)



**Twitter:** @KPMG\_TH

**LinkedIn:** [linkedin.com/company/kpmg-thailand](https://linkedin.com/company/kpmg-thailand)

**Facebook:** [facebook.com/KPMGinThailand](https://facebook.com/KPMGinThailand)

**YouTube:** [youtube.com/kpmginthailand](https://youtube.com/kpmginthailand)

**Instagram:** [instagram.com/kpmgthailand/](https://instagram.com/kpmgthailand/)

© 2021 KPMG Phoomchai Business Advisory Ltd., a Thai limited liability company and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.