Unlocking Opportunities

Global Financial Reporting and Valuation Conference

December 2025

Financial Agility: Generating Liquidity

Global Financial Reporting and Valuation Conference

December 2025

How are we seeing companies use cash today?

Transformation

To reinvest and fund further enterprise-wide performance improvement

Address pressure from the board

To improve alignment of goals and activities

M&A

To fund transactions

Self funded growth

To fund growth initiatives

Future proof

To provide stability & a buffer for economic / political factors

Loan repayment

To get better rates or adjust terms

Cash management drives operational resilience and performance visibility

Deliver Value – Initiatives backed by CMOs gain 3x cash improvement with improved ROIC

Centralized Governance – Allows prioritization and alignment with executive expectations

Increased Visibility – To executive and operational teams with ability to forecast

Cash Culture – Change management is critical for driving sustained value and organizational rigor on cash

- CEO / CFO
- FP&A and Treasury
- Supply chain
- Business units
- R&D
- Product service lines
- Commercial operations
- HR

Deliver value

- ✓ Target Setting
- ✓ Charters
- ✓ Funding

Governance

- ✓ Mobilize teams
- ✓ Track progress
- ✓ Align incentives

Cash culture

- ✓ Change mgmt.
- ✓ War room
- ✓ Capital deployment

Visibility

- ✓ Metrics & Tracking
- ✓ End-to-end visibility
- ✓ Forecasting

Core Enablers

People | Process | Technology | Metrics & Incentives

Enterprise cash management includes trade and non-trade value creation levers

Enterprise cash management

- Governance
- Cash flow forecasting
- KPIs & communication

Operations

Procure to Pay
- ✓ Vendor arrangements
- ✓ Terms optimization
- ✓ Payment clock
- ✓ Early payments
- ✓ Payment batching
- ✓ P-Cards / payment methods
- ✓ Supply chain financing

Order to Cash
- ✓ Commercial arrangements
- ✓ Collections effectiveness
- ✓ Billing accuracy and timeliness
- ✓ Early payment discounts
- ✓ Deal desk
- ✓ Financing solutions

Supply chain/Inventory
- ✓ Vendor managed inventory
- ✓ Consignment
- ✓ Planning & replenishment
- ✓ Product rationalization
- ✓ Inventory financing

Employee benefits
- ✓ Benefit plan design
- ✓ Provider bundling
- ✓ Benefits admin
- ✓ 401k match
- ✓ HSA utilization
- ✓ Self-insurance

Investing, financing (and others)

Real estate
- ✓ Rationalization
- ✓ Lease concession & complex lease negotiations
- ✓ Footprint / productivity review
- ✓ Lease buyout
- ✓ Refinancing

CapEx
- ✓ Evaluation process & criteria
- ✓ Optimization of purchasing options
- ✓ Productivity assessment – tech. enabled
- ✓ Partnership strategies

Others
- ✓ Legal settlement structure
- ✓ Litigation financing
- ✓ Insurance utilization
- ✓ Policy consolidation
- ✓ Partnership agreements
- ✓ Premium financing
- ✓ Rebate management

Cash flow type

Polling question #1

Which Working Capital area is the most opportunistic for your business?

A Order to cash

B Procure to pay

C Forecast to fulfill

D All of the above

Order to cash – Common challenges and value-based strategies

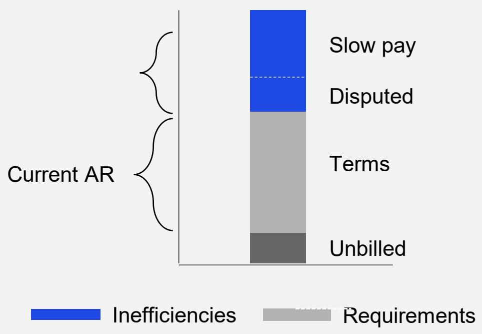
Common challenges

- Simple, **uniform collection practices** applied to all customer types
- **End to end process** / system alignment across region/business units
- **Terms low priority** in contract negotiations
- Contracts do not include **consequences for late payment / non-payment**

- **Limited visibility** to key performance indicators for decision making
- **Sales is not involved** to support tough collections issues
- **Incentive structures** do not prioritize cash collection

- Manual and / or informal **dispute resolution management process**
- Lack of **O2C process ownership** and clearly defined roles

AR levers



Value unlock

Quick wins (< 6 Months)

- Customer segmentation
- Customer profitability
- Collections strategies
- Billing timeliness and accuracy
- Collection support tools (including dashboards, KPIs, target-setting)
- Incentives for collectors

Mid-term (6- 12 Months)

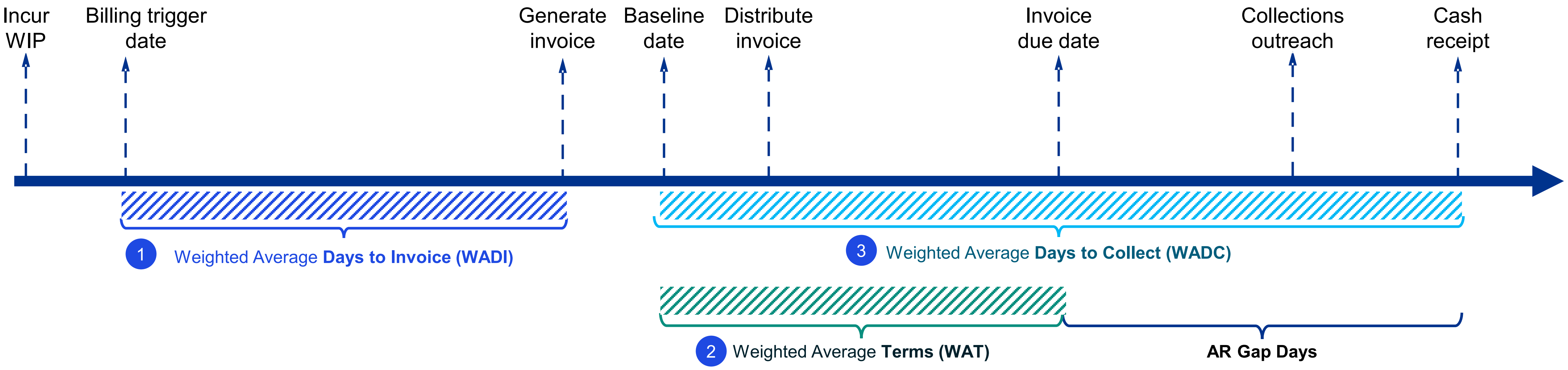
- Marketing, rebates, deduction mgmt.
- Terms rationalization
- AR process automation
- Customer portal / self service
- Customer contracts & clause for non-payment

Long-term (>12 months)

- Global program roll out
- Terms

AR cycle

Measuring KPIs across OTC process helps pinpoint cash unlock opportunities



1. **High WA Days to Invoice (WADI)** can indicate opportunities to improve billing accuracy and cycle time
2. **High WA Terms (WAT) can** indicate opportunities to **improve sales incentives or commercial arrangements**
3. **High WA Days Past Due** and/or **AR Gap Days** can indicate opportunities to improve collections effectiveness, dispute management, and eradicate upstream root causes

Example: Consider a company with

- Annual sales: $365M
- Revolver rate: 8%
- 1 day of AR outstanding = $1M of cash
- If WADC is 40 days but it could be 30 days, that's 10 extra days × $1M = $10M more cash available
- Plus $800K per year in additional interest cost ($10M * 8%)

Procure to pay– Common challenges and value-based strategies

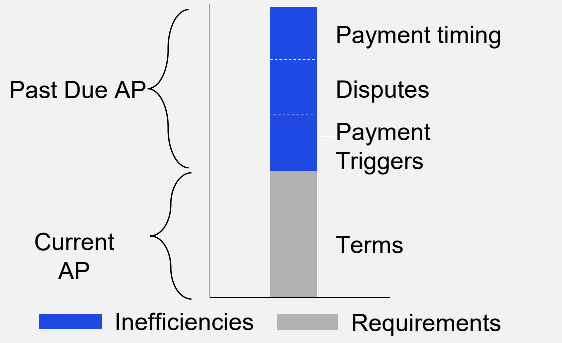
Common challenges

- High volume of **early or late payments**
- **Not adhering to contractual terms**, standards frequently overridden
- Sub-optimal **payment cycle** (frequency)

- Failure to capture prompt **payment discounts**
- **Payment terms** not adequate part of **vendor negotiations**
- Not optimizing **payment methods** (EFT, P-Card, etc…)

- Proliferation of vendors within same spend category
- Low percentage of total spend under contract
- Paying to **different terms for the same vendor**

AR levers



Value unlock

Quick wins (< 6 Months)

- Eliminating early payments
- Payment batching/schedules
- Contract term compliance
- Term optimization
- Vendor rationalization

Mid-term (6- 12 Months)

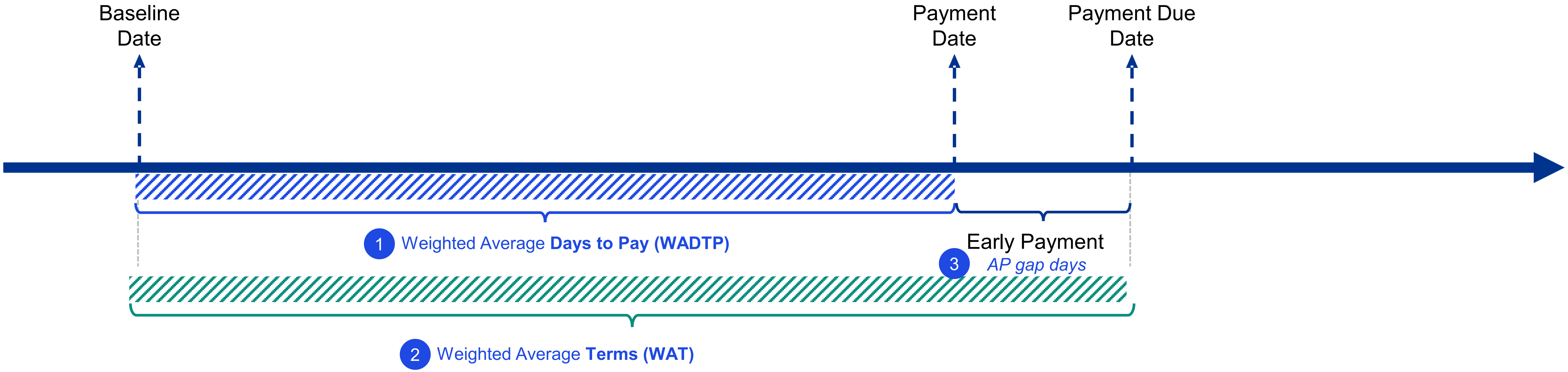
- Term optimization
- Payment triggers
- AP process automation
- P-Card
- Supply Chain Financing
- Program roll out

Long-term (>12 months)

- Term optimization (long contract renegotiation)
- Global program roll out

AR cycle

Pinpoint areas for improvement through an assessment of PTP cycle time



1 **Low** WA **Days to Pay (WADTP)** indicates opportunities to improve terms and AP process

2 **Low** WA **Terms (WAT)** indicates potential opportunity to improve payment terms

3 **Low or negative AP Gap Days** indicates potential quick wins in AP by aligning/extending vendor payments to existing terms

Example: Consider a company with

- Annual purchases: $365M
- Revolver rate: 8%
- 1 day of AP outstanding = $1M of cash
- If WADTP is 35 days but it could be 50 days, that's 15 extra days × $1M = $15M more cash available
- Plus $1,200K per year in additional interest cost ($15M * 8%)

Polling question #2

Which quick-win lever would your business benefit most from?

- **A** Improving KPIs and metric visibility
- **B** Eliminating Early Vendor Payments
- **C** Extending Vendor Terms
- **D** Improving overall cash culture
- **E** Accelerating AR dispute resolution
- **F** Enacting credit holds for past due customers
- **G** Improving billing accuracy

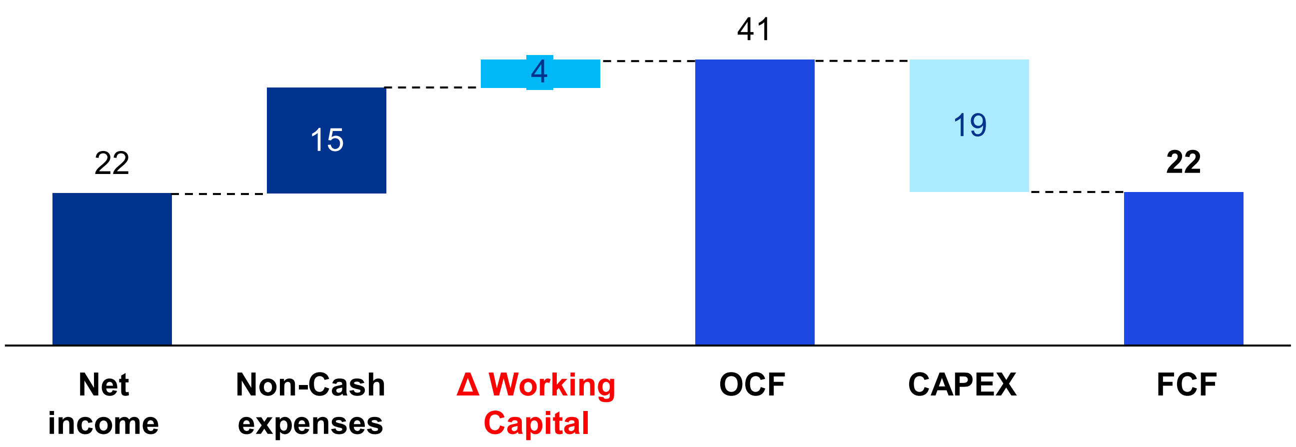
Free cash flow drivers and what to do about them...

Illustrative

Earnings, CapEx, and working capital **drive free cash flow**

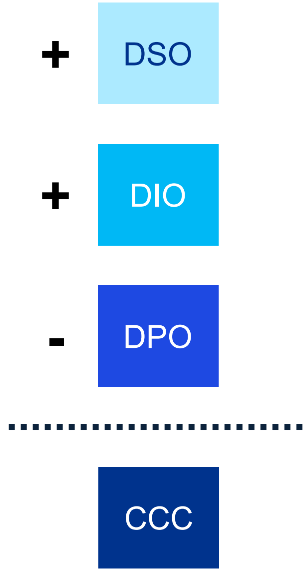
Earnings and capex are planning variables

Working capital is an operational variable



Finance sets the FCF target. Operations determines whether the cash actually shows up. **ΔWC is the bridge between the two.**

ΔWC is driven by changes in the Cash Conversion Cycle (CCC)

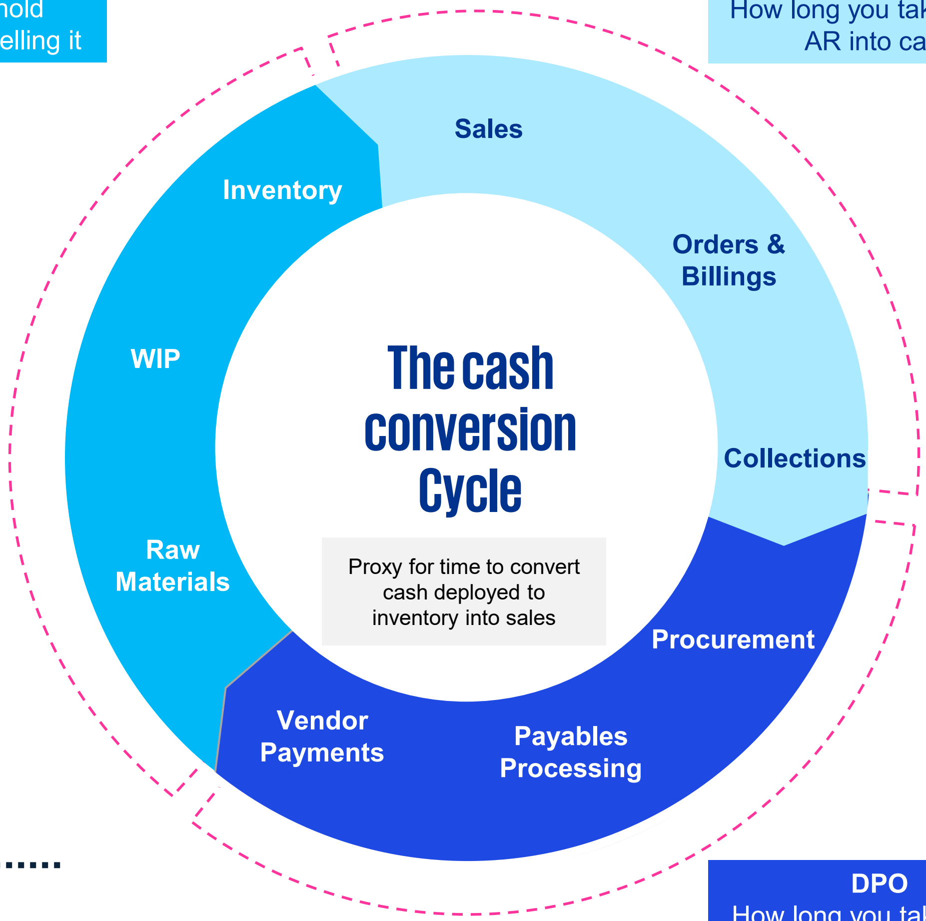


ΔWC = Change in cash conversion cycle

Connecting executive to operational KPIs enables CFO visibility and control over FCF

DIO
How long you hold inventory before selling it

DSO
How long you take to turn AR into cash



DPO
How long you take to pay vendors

+ DIO
+ DSO
- DPO

CCC

Less actionable

More actionable

Example:
Breaking down strategic AR metrics into drivers

Strategic Metrics

DSO	AR	Sales Per Day

Operational Metrics

WA days to bill	Billing throughput	Collections per day
WA terms	WA days to collect	Collection gap

Tactical metrics

Billing mgmt.	Collections mgmt.	Dispute mgmt.
Billing accuracy	Customer calls / touches per day	Days to dispute
Billing throughput	Collector effectiveness	Day to resolve
Credit / rebills	Collections target realization	

Any questions?

Thank you!

Some or all of the services described herein may not be permissible for KPMG audit clients and their affiliates or related entities.

kpmg.com

DAS-2026-19302