

Working Capital Analysis

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To: Press
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Zanders study reveals that since September 2008 liquidity locked in working capital is at record level not seen this decade.

Zanders reports that companies can leverage SWIFT to unlock more liquidity from working capital than was locked since September 2008.

Zanders analyzed financial statements of 3,774 companies worldwide on working capital efficiency.

The cash conversion cycle has slowed down to 48.4 days of sales, a level not seen in the last decade. This is **3 days slower** than before the credit crisis, a slow pace not seen this decade.

This implies that all 3,770 companies combined **locked an additional EUR 183.5 Billion liquidity** in their working capital since September 2008.

On average companies offloaded 30% of their additional working capital funding requirements onto their suppliers.

There are notable differences in findings across geographies, industries and credit rating of companies. Unlike other regions, Asian companies take a higher share in working capital, whereas Australian companies are on average consistently improving their working capital performance.

Despite slower pace of cash conversion cycle, the majority of companies have released cash from working capital in the past 2 years (positive cashflow from operations). For US based companies this does not explain the increase in liquidity on their balance sheet.

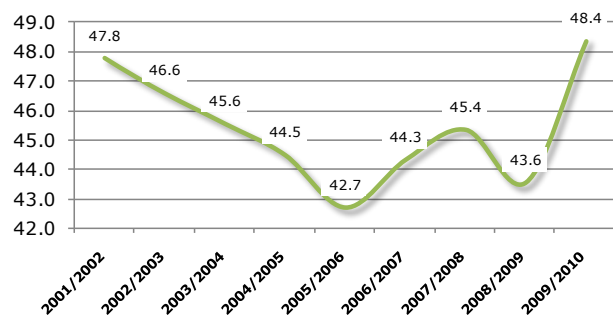
Swift commissioned Zanders to evaluate its potential contribution to corporate working capital management.

Bas Rebel, executive consultant at Zanders: "Given the trend of tighter and more expensive credit, these findings should be a call to action. Unless working capital management is improved again, profits will erode or prices will have to go up to compensate for this trend."

Elie Lasker, Head of Corporate Markets at SWIFT: "the reports reveals that companies can leverage SWIFT and speed up their cash conversion cycle with up to 7 days".

"SWIFT has a unique and pivotal value proposition for corporates and banks that like to assist their client to manage working capital more efficiently. For instance SWIFT can provide the secure universal reach that is required to let e-invoicing taken off. E-invoicing can help to develop credit products based on reverse factoring that yield a higher risk adjusted return than traditional credit products." adds Bas Rebel.

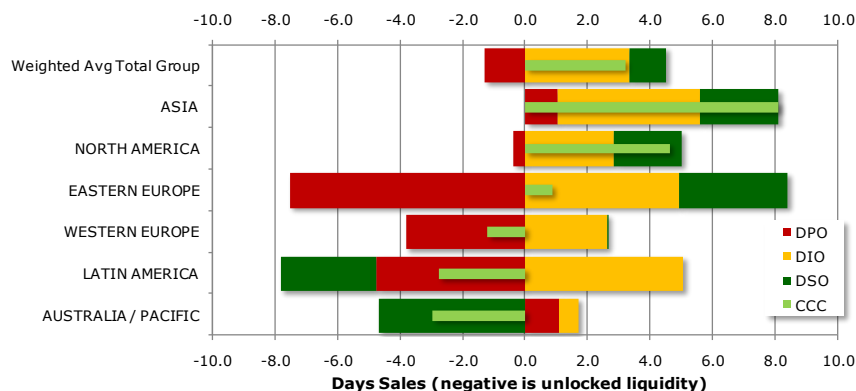
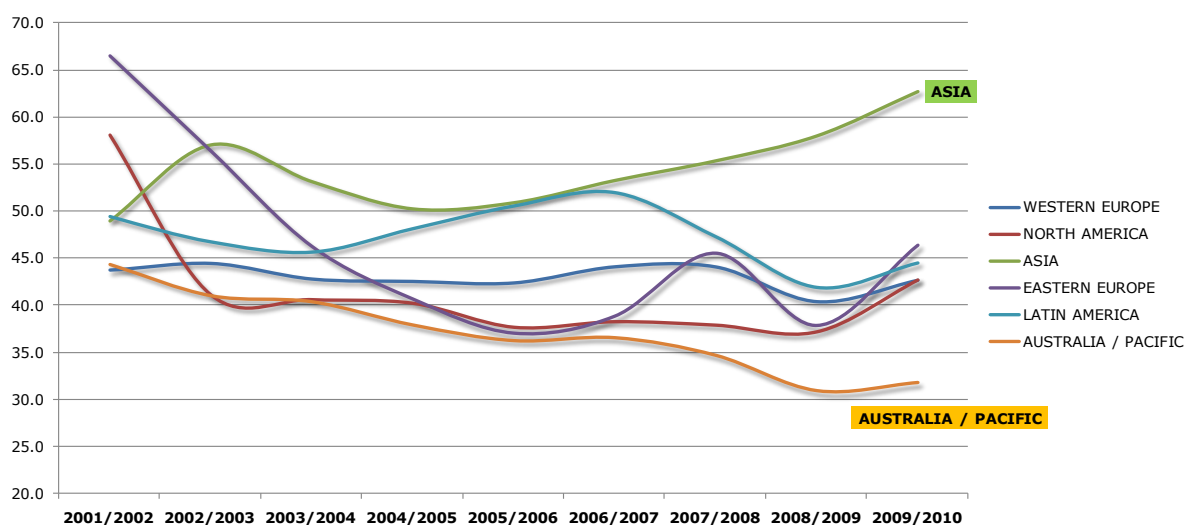
the Cash Conversion Cycle





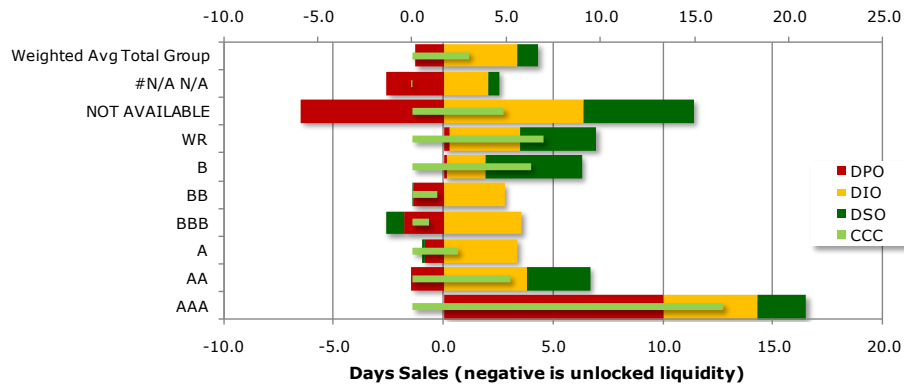
Summary of the findings

Development of the cash conversion cycle differs by region. While Asian companies saw their working capital increasing, Australian / New Zealand based companies have been improving their working capital year on year in the past decade. The quality of the working capital of Australian / New Zealand based companies has also improved in the past 2 years



Unrated companies tend to have a higher working capital requirement than (better) rated companies. AAA and AA companies did improve their working capital management in the years prior to the credit crisis but have locked that liquidity again since September 2008.

	Avg # Cies p.a. in Sector	Avg turnover per Cie (2009/2010 in EUR Mio)	2007/2008				2009/2010				Change in Velocity of CCC in days (DIO and DSO)	Relative change
			DPO	DIO	DSO	CCC	DPO	DIO	DSO	CCC		
AAA	3	122,651	-42.5	13.7	36.0	7.1	-32.5	17.9	38.3	23.6	-6.5	-13.05%
AA	35	46,436	-34.2	26.3	56.1	48.2	-35.6	30.1	59.0	53.4	-6.7	-8.08%
A	184	22,530	-44.2	35.1	57.2	48.1	-45.1	38.5	57.1	50.5	-3.3	-3.56%
BBB	315	12,002	-42.9	32.5	49.0	38.6	-44.7	36.1	48.1	39.5	-2.7	-3.36%
BB	100	6,711	-46.6	42.7	40.8	37.0	-47.9	45.5	40.8	38.3	-2.7	-3.21%
B	42	6,634	-43.8	28.4	30.2	14.8	-43.6	30.1	34.6	21.1	-6.1	-10.46%
WR	352	4,277	-42.5	47.5	52.6	57.6	-42.2	50.7	56.1	64.5	-6.7	-6.67%
NOT AVAILABLE	177	2,455	-38.4	42.5	45.1	49.2	-44.9	48.9	50.1	54.1	-11.4	-12.96%
#N/A N/A	2,559	1,053	-42.8	42.9	51.5	51.6	-45.4	45.0	52.0	51.6	-2.5	-2.69%
Weighted Avg Total Group	3,770	4,118	-42.4	36.2	51.6	45.4	-43.7	39.5	52.5	48.4	-4.3	-4.92%



The impact of the crises is clearly visible in the relative increase in receivables and inventory positions. It is remarkable that AAA and AA tend to speed up their payables, possibly as an alternative to bank financing for their suppliers. Payables positions of lower rated and unrated companies display a mixed outcome most certainly explained by a declining ability to pay on time and a need to advance payment to strategic suppliers.

About Zanders

Zanders Treasury & Finance Solutions Founded in 1994, Zanders is an innovative consulting firm specializing in treasury and finance solutions.

We are recognized as a thought leader in treasury management, risk management and corporate finance with more than 120 financial experts. From our offices in the Netherlands, Belgium, Switzerland and United Kingdom, Zanders services corporates, financial institutions and organizations in the public sector.

Zanders' strengths are specialization and independence and we therefore work solely on behalf of, and in the best interests of, our clients. We assist our clients from idea up until implementation.

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About SWIFT

SWIFT is a member-owned cooperative that provides the communications platform, products and services to connect more than 9,500 banking organisations, securities institutions and corporate customers in 209 countries. SWIFT enables its users to exchange automated, standardised financial information securely and reliably, thereby lowering costs, reducing operational risk and eliminating operational inefficiencies. SWIFT also brings the financial community together to work collaboratively to shape market practice, define standards and debate issues of mutual interest.

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