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A HACKETT GROUP COMPANY

2015 Europe REL working capital survey

May 2015

In 2015, REL have developed the measure of working capital performance with the use of the Cash Conversion Cycle

- **REL will be turning 40 this year, and as the world's foremost cash flow experts we continue to lead the way in Working Capital management**
- **This year, in performing the REL 2015 working capital survey, we have used an extensive data set to allow us to calculate the Cash Conversion Cycle (CCC)**
  - Previous and similar studies have used Days Working Capital (DWC) as the primary measure of performance
  - When calculating Days Working capital, revenue is traditionally used as the common denominator for working capital comparison. In the Cash Conversion Cycle, Cost of Goods Sold (COGS) is used to assess Inventory & Payables
  - REL believe that COGS is a more accurate approach to measure inventory and payables performance than revenue
- **While Days Working Capital is a measure of working capital coverage, the Cash Conversion Cycle looks at the time (in days) that cash is actually tied up in the business**
  - A measure of the amount of time each net input dollar is tied up in the production and sales process before it is converted into cash through sales to customers
- **As leaders in Working Capital development, REL believe that the Cash Conversion Cycle is a more accurate representation of real working capital performance and the true opportunity that exists**

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Working Capital performance has demonstrated the 2nd improvement in row, continuing the gains made in 2013 as cash regains importance on the corporate agenda

- **The top 947 companies by revenue are used in this years European study**
- **Working Capital performance has continued an improvement trend from 2013**
  - A positive improvement in the Cash Conversion Cycle (CCC) year on year of 5.5% from 2013
  - Two of the working capital elements, payables and receivables, improved for the European REL 1000, driving this year's improvement
- **However, despite the positive working capital trend, the improvement opportunity still stands at close to €1.1 trillion, the equivalent to 7.8% of FY 2014 European GDP of €13.92 trillion**
  - €468 B opportunity within payables, a further €320 B available in receivables and €304 B in inventories
- **With European GDP increasing by 1.3% higher revenues reported (+3.1%), companies seem to struggle to keep costs and profit margins under control (Gross Margin has deteriorated by 1.7%)**
  - Costs are going up: COGS (+3.9%), slightly more than Revenue, at the same time EBIT Margin has deteriorated by 2.7%
- **Although improvements are seen in working capital, the total debt continues to rise (+5.2%), this being reflected in the cash positions**
  - Cash on hand and free cash flow are up (cash on hand +6.2%), (free cash flow +13.7%)
- **Sustaining working capital improvements remains a key issue** Only 13.1% of companies within REL 1000 improved CCC performance for 3 consecutive years
  - 63 companies (7%) have seen performance steadily deteriorate during the same time period

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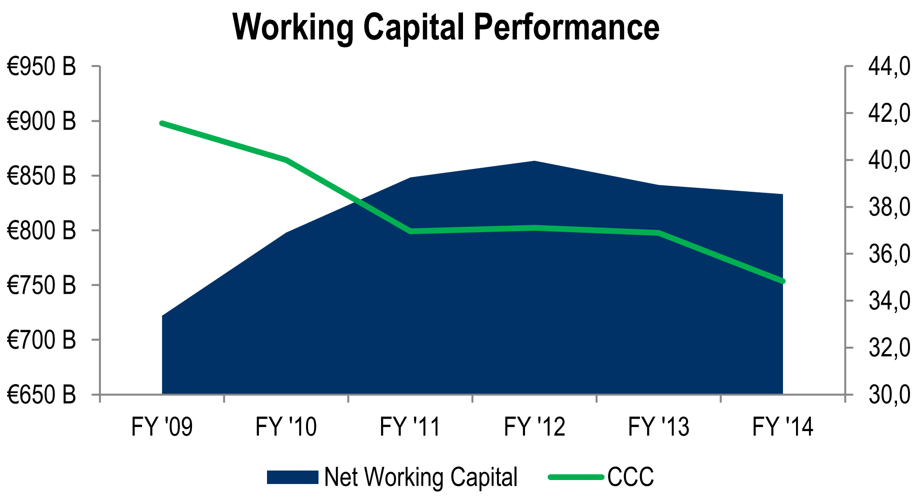
2015 – REL 1000 EU

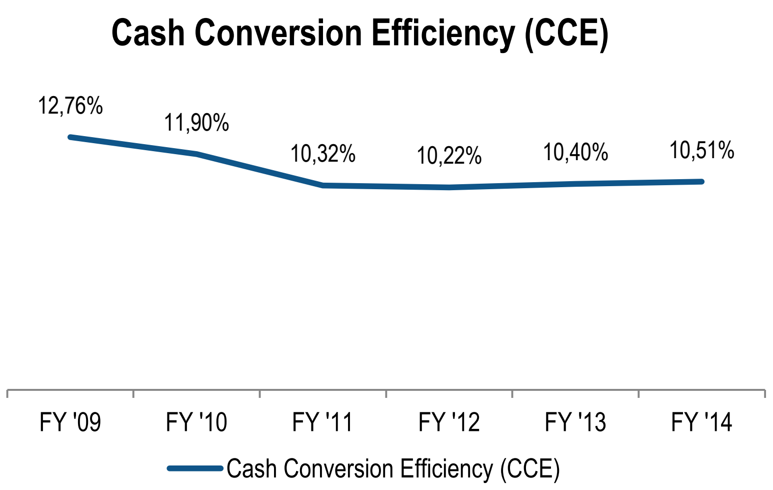
Agenda

- **Working Capital Performance**
- **Working Capital Opportunity**
- **Working Capital Performance Sustainability**
- **Cash Management**
- **Industry Working Capital Performance**
- **Country Working Capital Performance**
- **Appendix**

The cash conversion cycle (CCC) improved by 5.6% in 2014, continuing the trend witnessed since the recession



- Cash conversion cycle (CCC) improved YoY – 5.6%
- Total Net working capital of the REL 1000 companies improved by 1% YoY but has increased by 15.4% over a 5 year period
- Revenue has increased by 3.1% YoY with an increase of 35.4% over a 5 year period



- Cash conversion efficiency (operating cash flow / revenue) improved marginally 2 years in a row,
- However, over a 5 years period, CCE is down 17.6%, indicating companies are still taking longer to convert sales into cash and have some way to go to reach the performance levels seen in 2009

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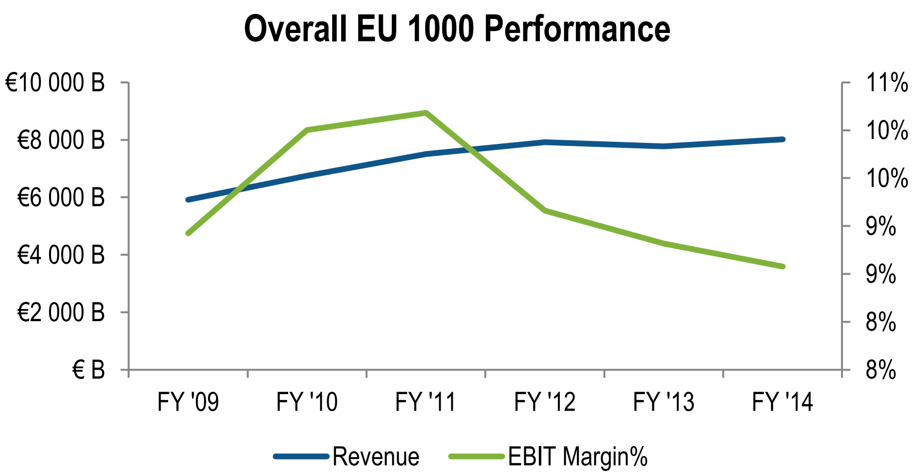
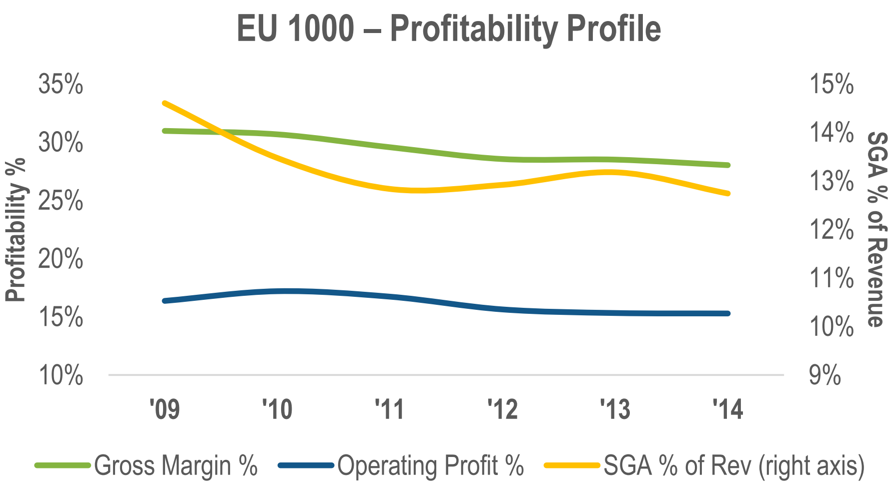
Declining EBIT indicates that profitability continues to be an issue, even though companies used less working capital to generate revenues



- Revenue increased in 2014, while net working capital improved, indicating that less is used to generate higher returns
- However, profitability – EBIT Margin% – worsened in 2014 by nearly 2.7% and 15.8% in the past 3 years



- Gross margin and operating profit have seen a steady downward trend over the past 5 years
- However, organizations appear to have the 2013 increase in SG&A (selling, general & administrative) costs under control, bringing a year-on-year reduction

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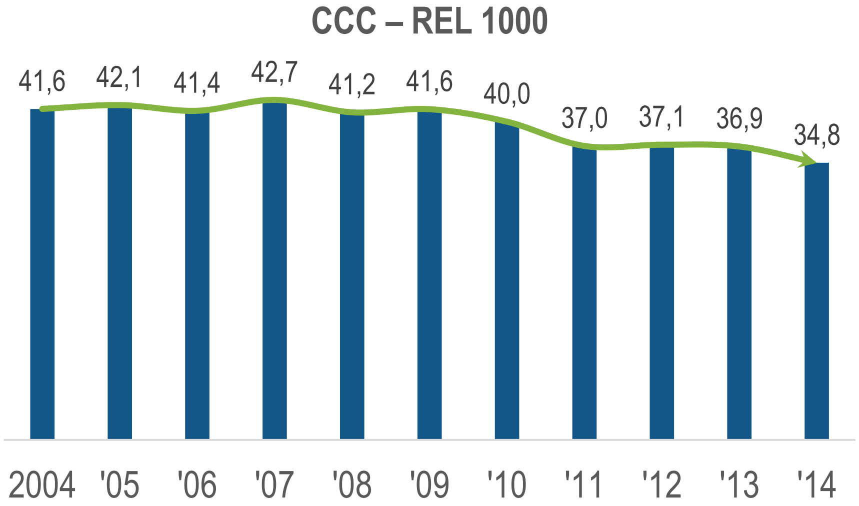
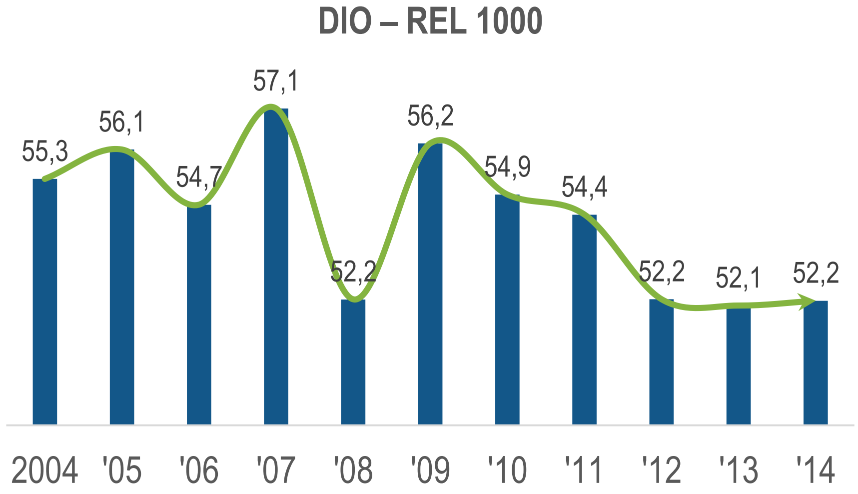
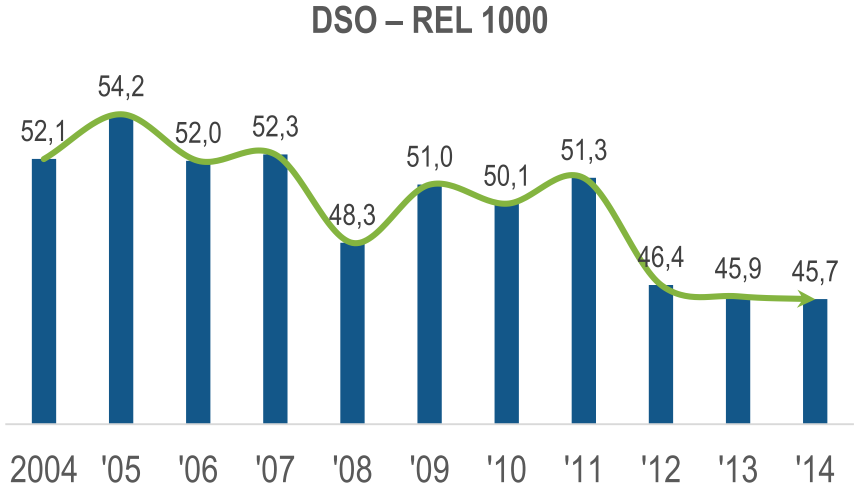
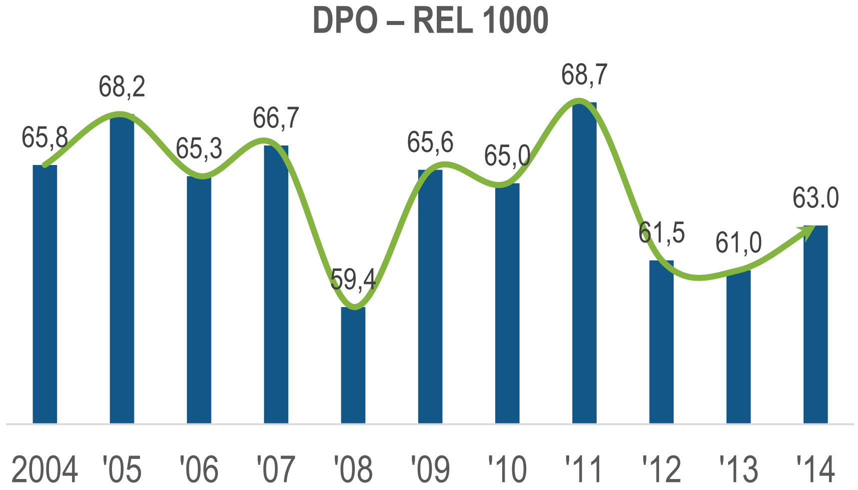
The primary driver of improved CCC in 2014 was witnessed in Payables followed by Receivables. Despite initial gains made between 2009-2012, inventory performance has remained static for the last 3 years









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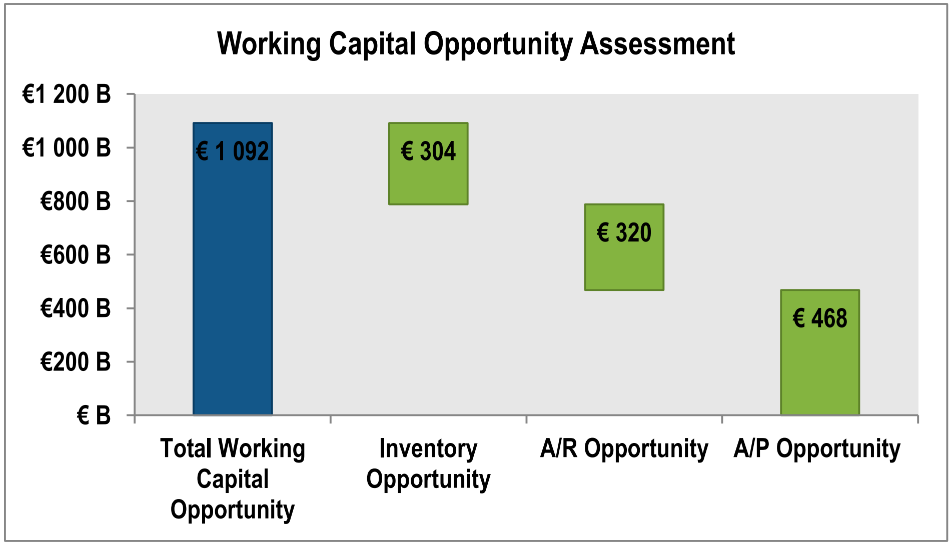
Agenda

- Working Capital Performance
- Working Capital Opportunity
- Working Capital Performance Sustainability
- Cash Management
- Industry Working Capital Performance
- Country Working Capital Performance
- Appendix

The 2015 REL EU annual working capital survey has identified more than €1.1 Trillion tied up in working capital in the top 1000 companies

- There is a larger opportunity for improvement within payables. AP represents approximately 43% of the total working capital opportunity. However, the other working capital components can together still provide a further €624M in cash
- A holistic approach to improvements in total working capital management will address all elements of opportunity available

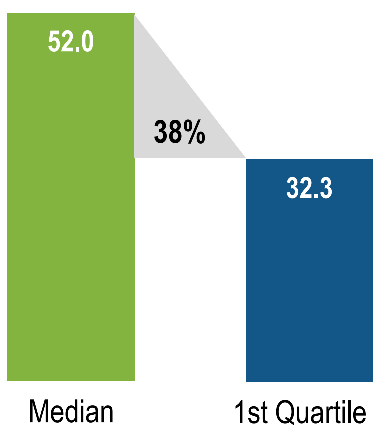
Working Capital Opportunity	FY 2014
Total A/R Opportunity	€320 B
Total Inventory Opportunity	€304 B
Total A/P Opportunity	€468 B
Total Working Capital Opportunity	€1092 B
% of Gross Working Capital	38.8%
% of Revenue	13.6%



Current opportunity in working capital of €1092 billion is 7.84% of the FY 2014 GDP of € 13.92 trillion

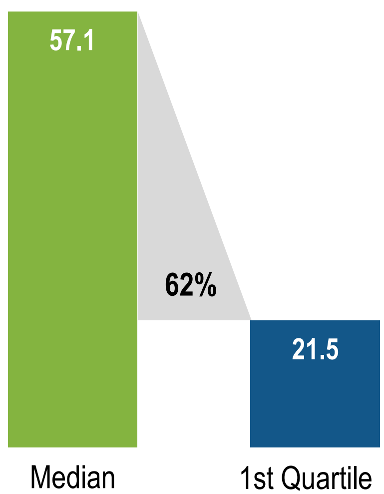
Upper quartile companies* in the top EU firms are 8.8 times faster at converting working capital into cash than Median† performers

Days Sales Outstanding



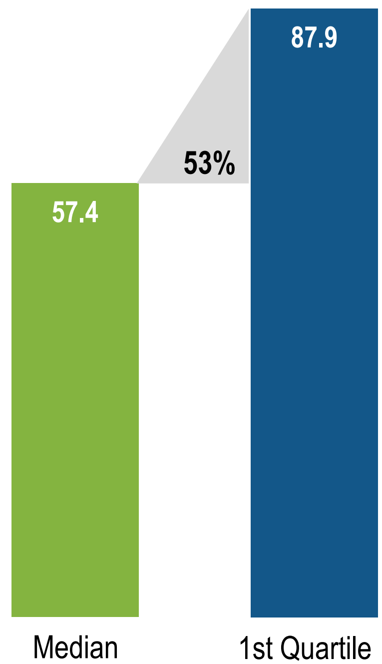
€53.9 Million of cash flow per €1Billion of sales

Days Inventory On-Hand



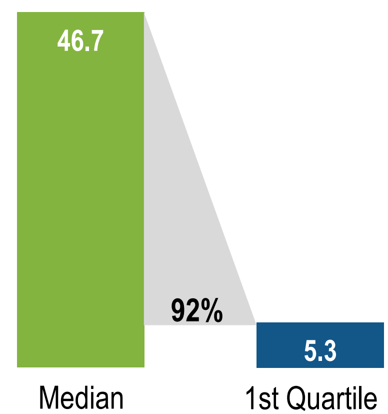
€97.7 Million of cash flow per €1Billion of sales

Days Payables Outstanding



€83.5 Million of cash flow per €1Billion of sales

Cash Conversion Cycle



€234.8 Million of cash flow per €1Billion of sales

The differences between median and upper quartile working capital performances are very industry dependent , hence the difference between median and upper quartile in inventory could be generated by comparing industrial with service companies.

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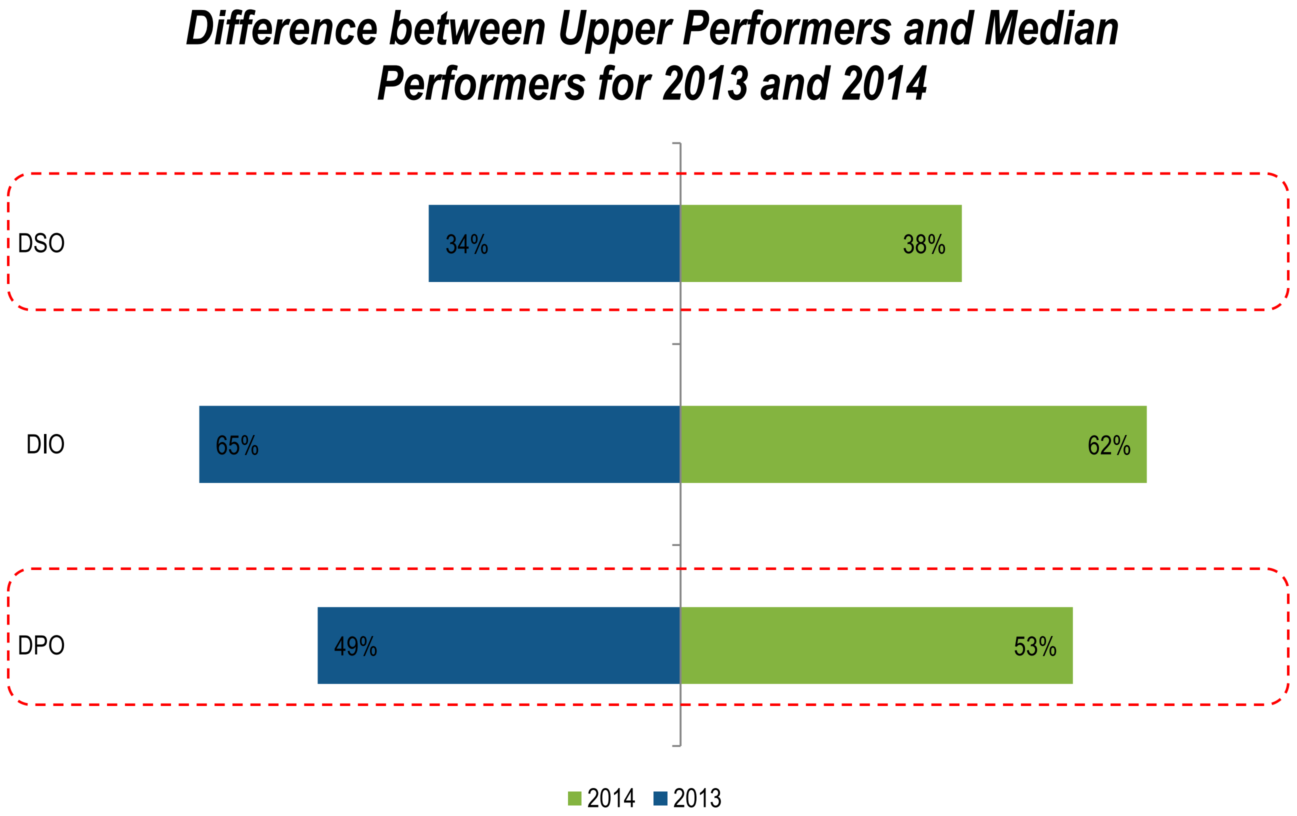
* Upper or 1st quartile performance – Lowest DIO / DSO, or highest DPO in top 25% of companies
† Median performance – Median DIO, DSO, or DPO in all companies

DPO and DSO performance gaps between upper and median performers widened by 4% in 2014 - representing €6.3 M and €5.75 M cash flow impact for a typical €1 B company



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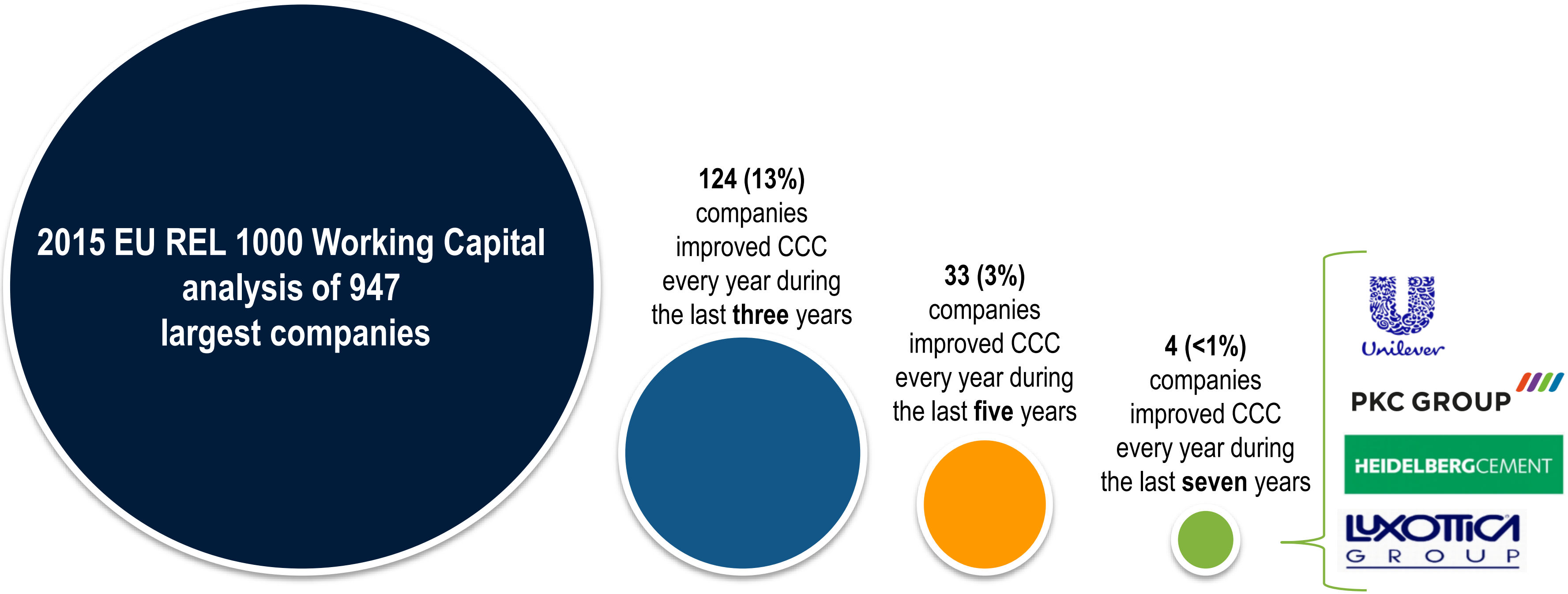
Agenda

- Working Capital Performance
- Working Capital Opportunity
- **Working Capital Performance Sustainability**
- Cash Management
- Industry Working Capital Performance
- Country Working Capital Performance
- Appendix

Companies struggle to maintain improvements with few achieving sustainable impacts. Those that do demonstrate significantly better cash metrics



% Change from 2007 to 2014							
Companies	**Revenue**	**Cash On Hand**	**Capex**	**Dividend**	**CCC**	**Cash as % of Revenue**	**Debt[1]**
4 Companies[2]	69%	> 500%	13%	8%	-97%	7%	11%
REL 1000	31%	62%	21%	25%	-18%	1%	40%

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*Source: REL 1000 & Capital IQ, public financial filings
2. Average of percentage change at individual company level

Over the past 8 years, only a limited number of organizations have been able to consistently demonstrate working capital improvement

Fiscal Year	# of Companies in Survey	# of Companies with YoY improvement in CCC for 3 Years	% of Companies with YoY improvement in CCC for 3 Years
2014	947	124	13%
2013	933	129	14%
2012	821	103	12%
2011	925	99	11%
2010	790	90	11%
2009	933	83	9%
2008	941	115	12%
2007	1000	101	10%

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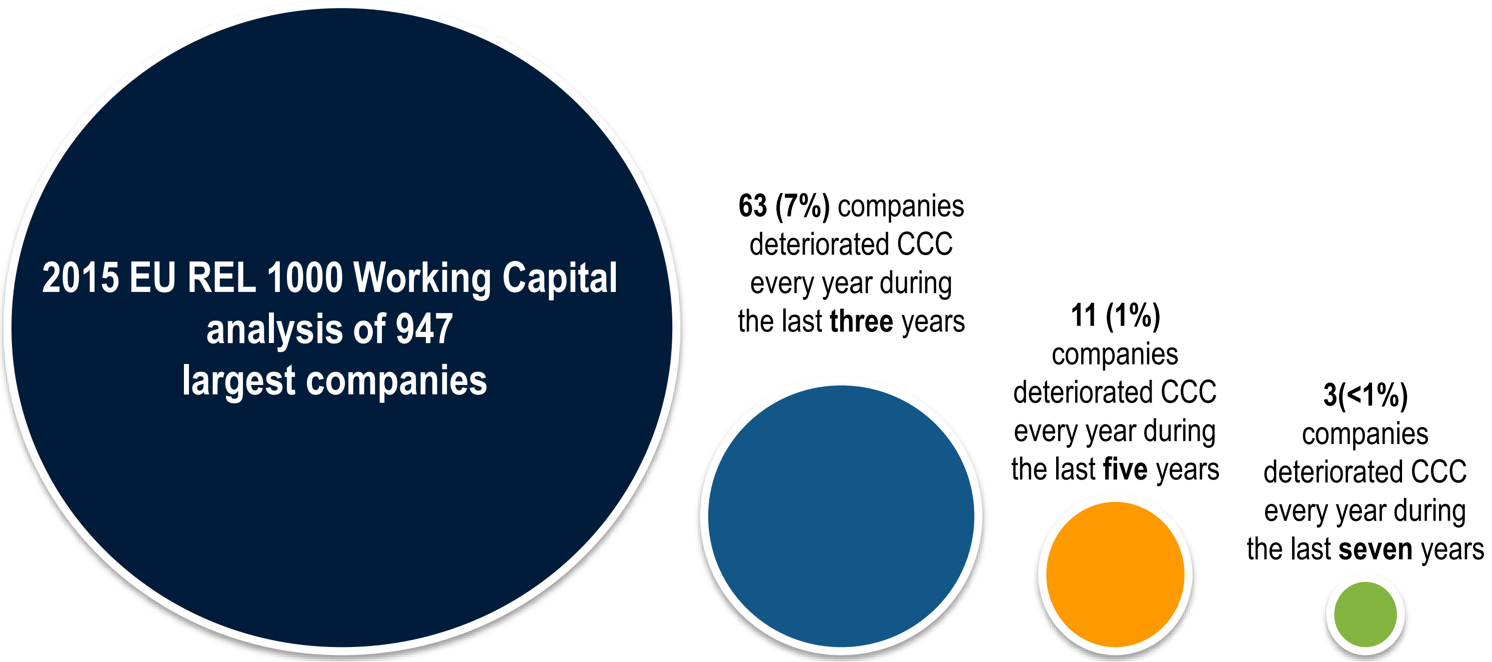
Annual REL1000 does not consist of the same companies YoY– REL uses the top 1000 revenue companies of the most recent FY as the basis of all prior years

3 organizations demonstrating the highest deterioration in the cash conversion cycle have seen debt levels increase as working capital performance worsens



% Change from 2007 to 2014							
Companies	Revenue	Cash On Hand	Capex	Dividend	CCC	Cash as % of Revenue	Debt[1]
3 Companies[2]	5%	-79%	-26%	64%	61%	-12%	58%
REL 1000	31%	62%	21%	25%	-18%	1%	40%

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*Source: REL 1000 & Capital IQ, public financial filings
2. Average of percentage change at individual company level

More companies are increasing the focus on working capital every year, however the attention span tends to be 3 years or less for most

- Only 26% of companies that improved CCC for 3 years managed to sustain it for 5 years
- And only 3% of the 124 that improved 3 years CCC managed to sustain it for 7 years
- A positive trend over the years (2010 to 2014) can be seen in most categories, which suggests that companies are slowly starting to focus on WC
- The most companies improve only for 3 years, suggesting that the attention span to WC rarely goes beyond that

Companies that improve CCC every year for 3 years

	2014	2013	2012	2011	2010
0% allowance	124	123	117	92	70
5% allowance	213	233	215	190	169
10% allowance	344	345	316	285	266

Companies that improve all elements of CCC every year for 3 years

	2014	2013	2012	2011	2010
0% allowance	2	1	0	0	1
5% allowance	15	18	20	12	7
10% allowance	133	118	96	60	35

Companies that improve CCC every year for 5 years

	2014	2013	2012	2011	2010
0% allowance	33	28	15	18	16
5% allowance	82	89	62	59	67
10% allowance	174	179	142	121	134

Companies that improve CCC every year for 7 years

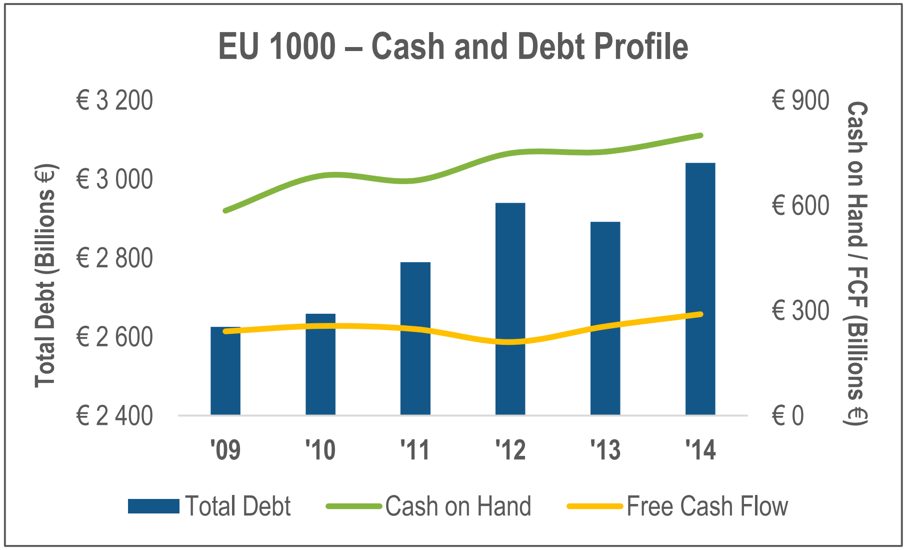
	2014	2013	2012	2011	2010
0% allowance	4	5	4	4	2
5% allowance	25	28	27	24	23
10% allowance	87	80	71	57	62

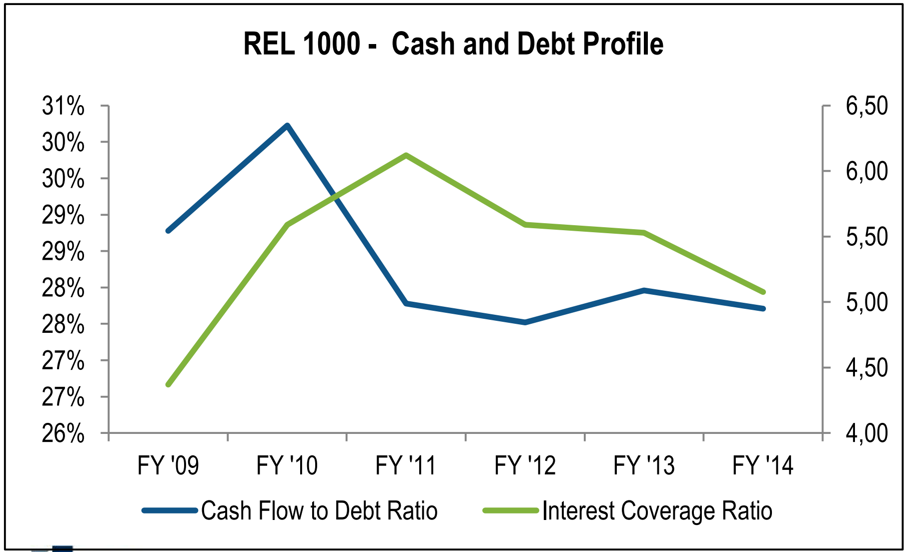
Internal Slide

Agenda

- Working Capital Performance
- Working Capital Opportunity
- Working Capital Performance Sustainability
- Cash Management
- Industry Working Capital Performance
- Country Working Capital Performance
- Appendix

Cash on hand has continued to increase while debt also rose substantially in 2014





- Cash on hand continued the upward trend with a 6% increase, increasing by €47B in 2014.
- A €35B increase in free cash flow (14% increase YOY) and €149Bn increase in debt levels contributed to cash on hand availability over the course of 2014.
- Following a decline in 2013, borrowing activity increased, with debt levels up by 5% in 2014, on a par with increase levels seen in 2011 and 2012.
- During the same period, the interest coverage ratio has continued to decline (ratio of 5.1 in 2014 compared to 5.5 in 2013) as organizations take advantage of low interest rates and acquire increasing levels of debt.
- Evidence that debt levels are increasing faster than additional working capital is being generated can be seen in the declining cash flow to debt ratio, now at 27.7% from a high of 30.2% in 2010 as debt levels increase.

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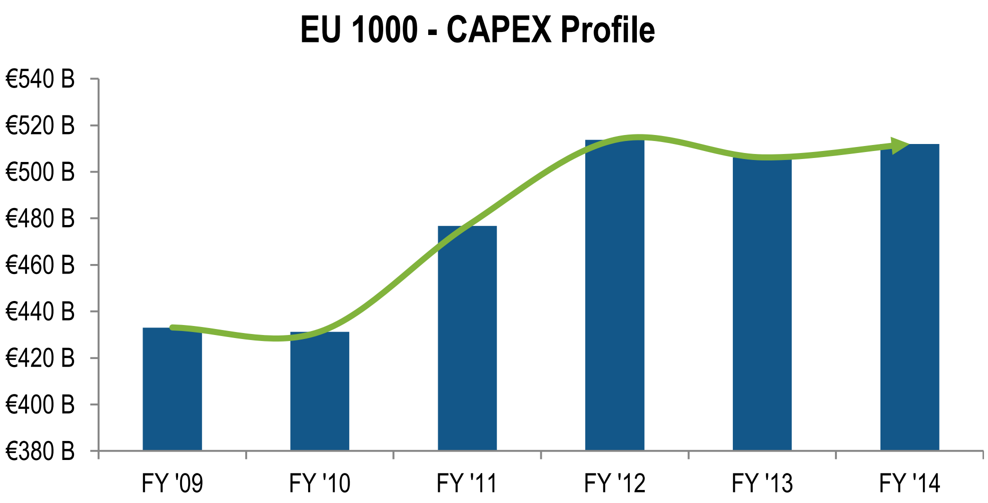
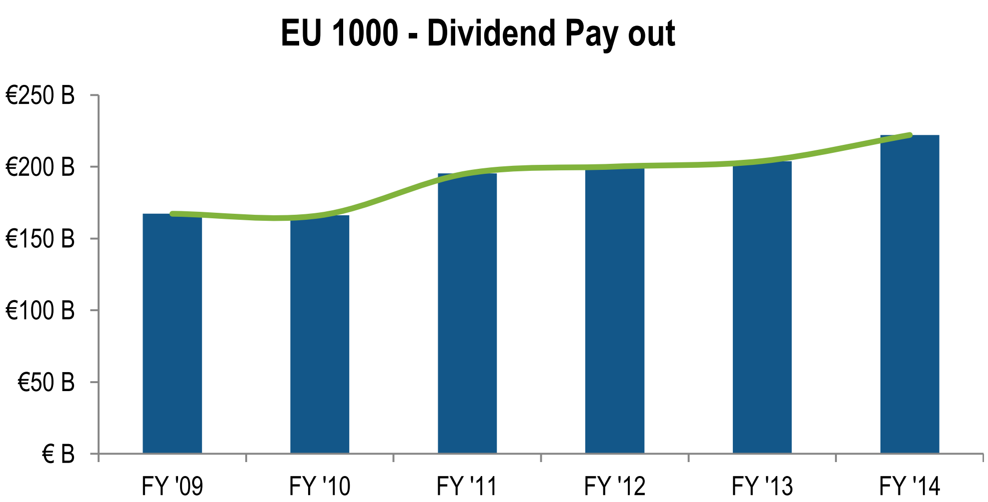
Capex expenditure remained stable over 2014 while dividend pay outs and M&A activity increased





- Increases in Capex expenditure remained low with a 1% (€6B) increase. Significant Capex increases were seen in Biotechnology (+56% on 2013) and Electronic equipment (+47%), while decreases were seen in multiline retail (-21%) and Technology Hardware, storage and peripherals (-28%)
- Instead, cash priorities have been placed on M&A activity and dividend pay-outs with both on the increase in Europe over 2014. M&A activity increased greatly in 2014 with notable movements in Healthcare, Construction and Telecommunications.
- Dividend pay-outs increased by 9% YOY, with substantial increases seen in some airlines, containers & packaging, and internet & catalogue retailing.

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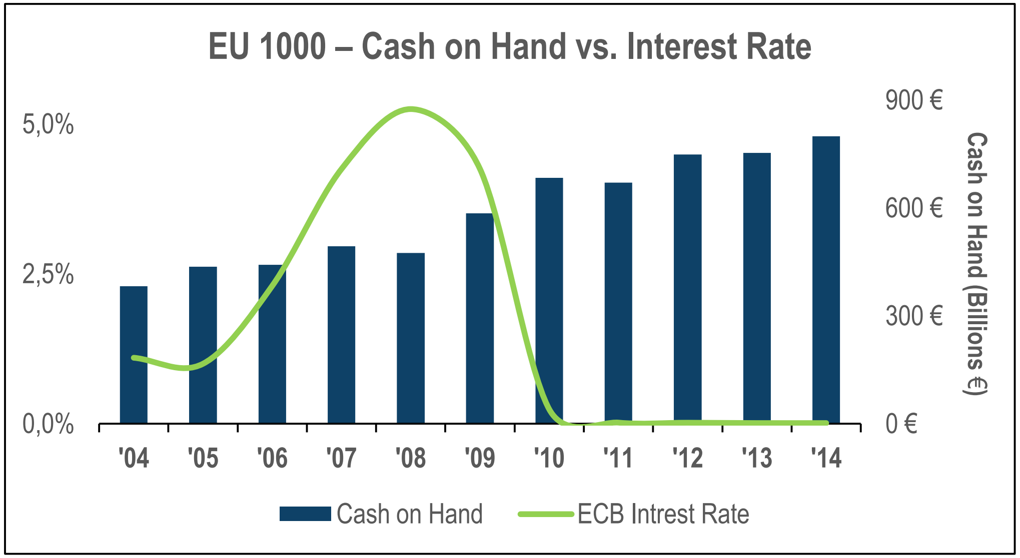
Companies are continuing to take advantage of the low ECB Rate and borrow additional funds, visible in declining debt coverage



Debt Range % Chng 2007 - 2014	**# of Companies**	**CCC**[1] % Chng 2007 - 2014	**Debt Coverage Ratio**[1] % Chng 2007 - 2014	**Cash On Hand**[1] % Chng 2007 - 2014
Reduction in Debt	323	-27%	> 900%	225%
Debt Increase of 100% +	269	51%	-98%	> 800%

- The European Central Bank interest rate started 2014 at 0.25% but was reduced to 0.15% in June 2014 before being reduced to a record low of 0.05% in September 2014
- With the €1 trillion ECB QE programme launched in March 2015 to run through September 2016, the ECB is hoping to further unlock credit markets and stave off a deflationary spiral
- Companies that have increased debt 100% or more care very little about making operational cash flow improvement as their CCC increased on average 51% and debt coverage is 0.24 in 2014 (anything below 1 is worrying)
- These companies also enjoy a misleading but much larger Cash on Had % increase (879%) compared to those reducing debt (225%)

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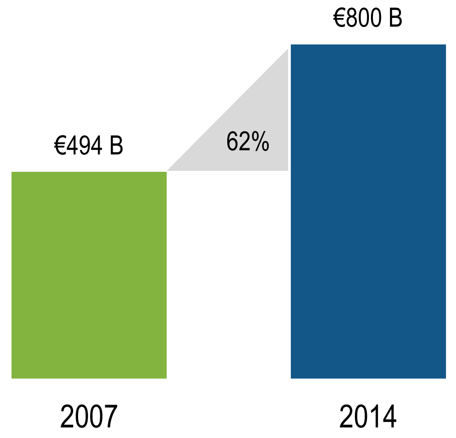
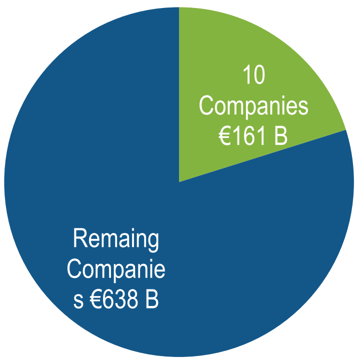
1. Average of percentage change at individual company level

Cash insights from the market pre & post-recession: The abundance of cash is misleading, debt continues to be the main source but internal optimization of cash flow begins to be considered

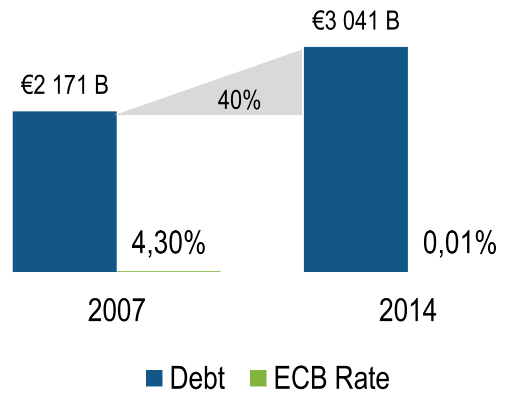
Cash On Hand Increases[1]



20% of Cash Controlled by 10 Companies[1]

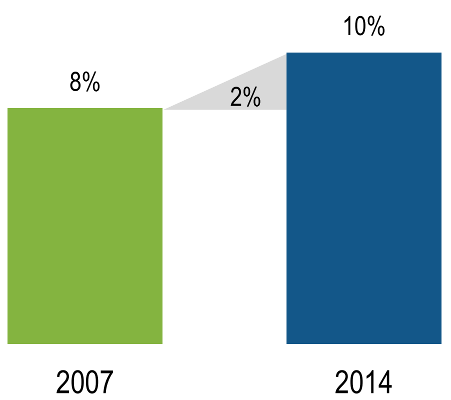


Debt Increases 40% While Borrowing Rates are Attractive[1]

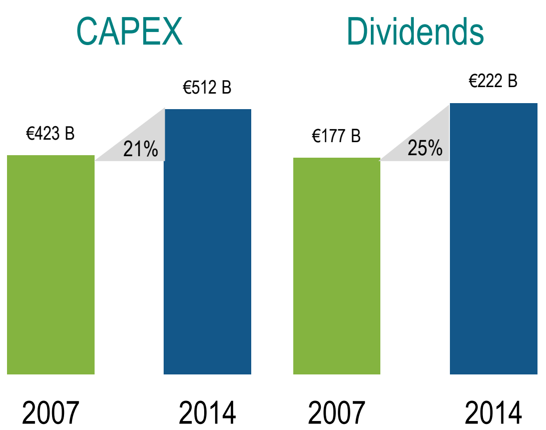


Companies aren't Hoarding Cash

Cash On Hand as a % of Revenue[1]

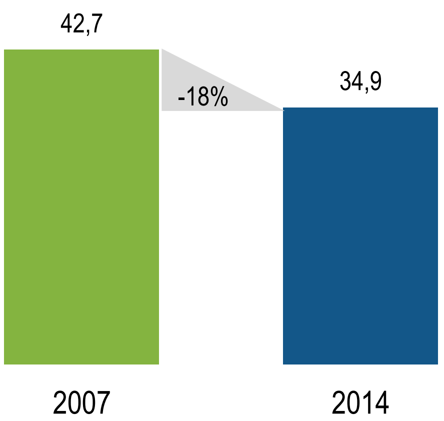


Companies are Investing[1]



Internal Generation of Cash

Cash Conversion Cycle(CCC)



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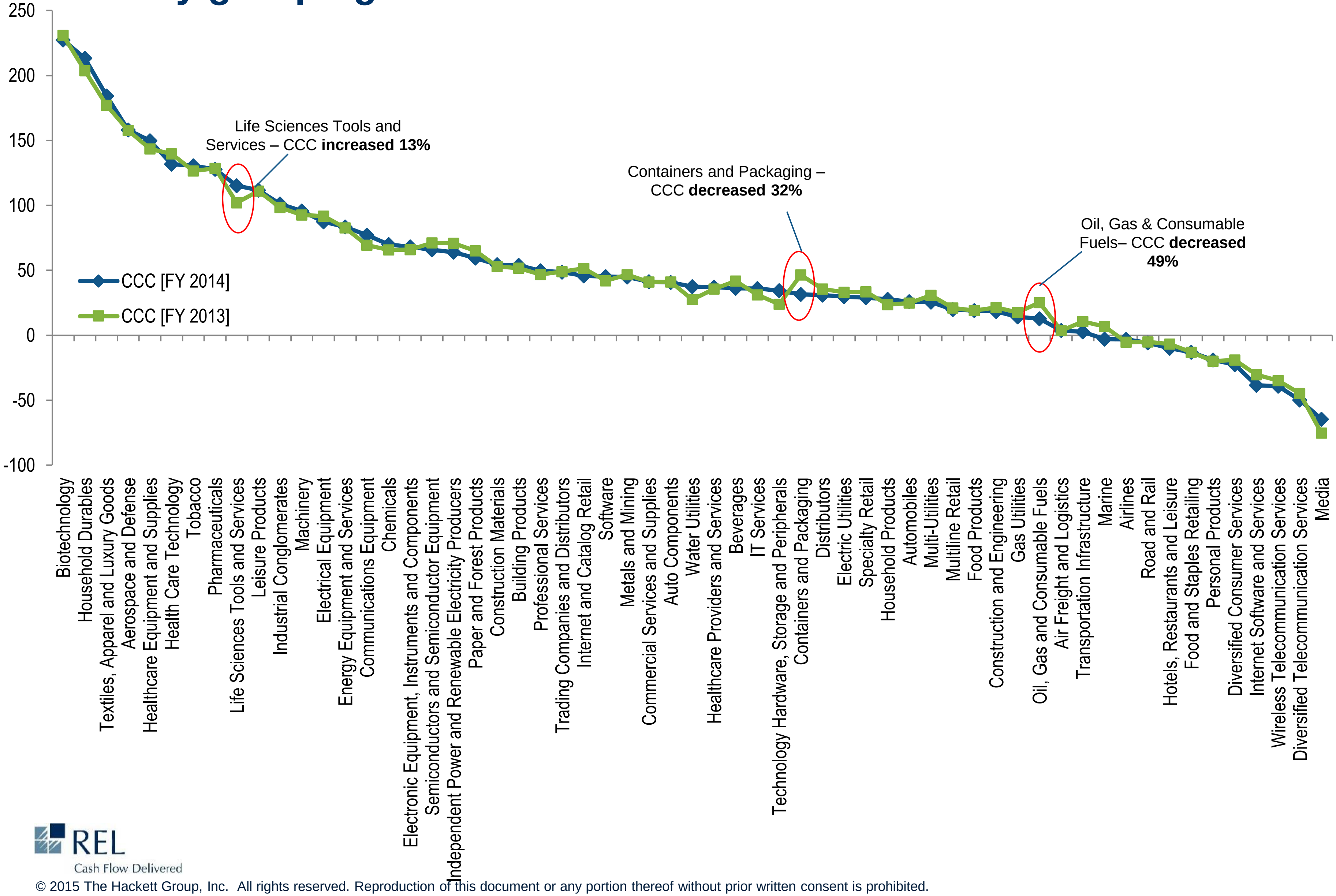
*billions

Source: 1. REL 1000, Capital IQ

Agenda

- Working Capital Performance
- Working Capital Opportunity
- Working Capital Performance Sustainability
- Cash Management
- Industry Working Capital Performance
- Country Working Capital Performance
- Appendix

Working capital performance is heavily influenced by industry type, however, between 2013 and 2014, some changes can be seen within industry groupings



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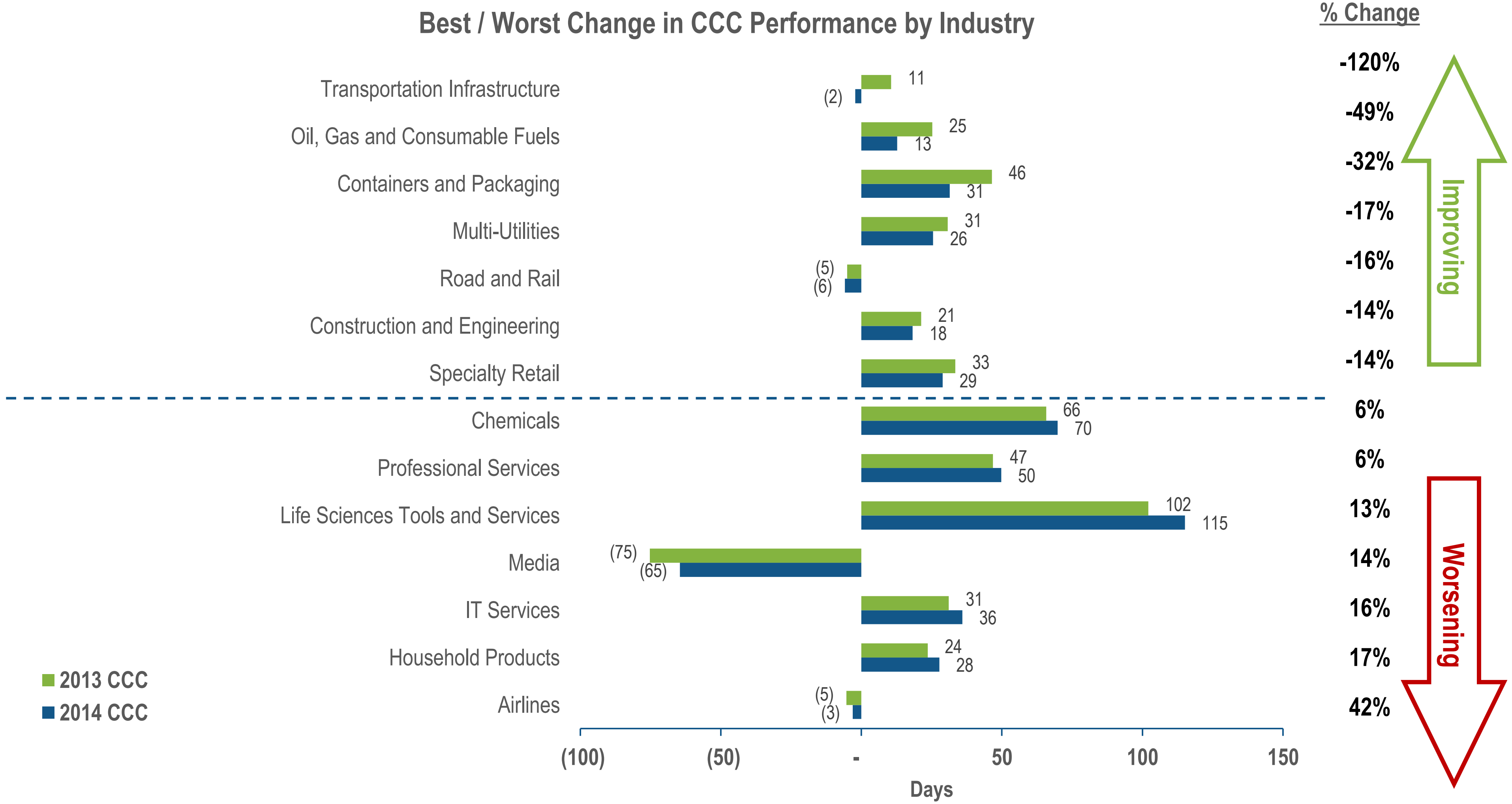
CCC performance varies by industry with some improving while others worsened in 2014



Hotels, Restaurants and Leisure industry has been removed from the list, since these are industries that see big swings due to the nature of the business and dependence on external factors

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Whilst revenue increases indicate a recovery in market conditions, working capital performance for the bottom 10 industries has deteriorated

YoY Avg. Change	Top 10 Industries	Bottom 10 Industries	Desired Trend
CCC	-35% ↓	+11% ↑	↓
DSO	+1% ↑	+3% ↑	↓
DIO	+55% ↑	+65% ↑	↓
DPO	+73% ↑	+57% ↑	↑
Revenue	+1% ↑	+5% ↑	↑
NWC as a % of Rev	-16% ↓	+7% ↑	↓
EBITDA	-1% ↓	+4% ↑	↑
Operating Expenses	+2% ↑	+4% ↑	↓
Free Cash Flow	+38% ↑	+45% ↑	↑
Cash on Hand	+10% ↑	+4% ↑	↑
Total Debt	+4% ↑	+4% ↑	↓

- Top 10 and bottom 10 industries are based on the % change between 2013 and 2014 CCC (industries with less than 5 companies are excluded, along with certain industries: Hotel, Leisure and Restaurants)

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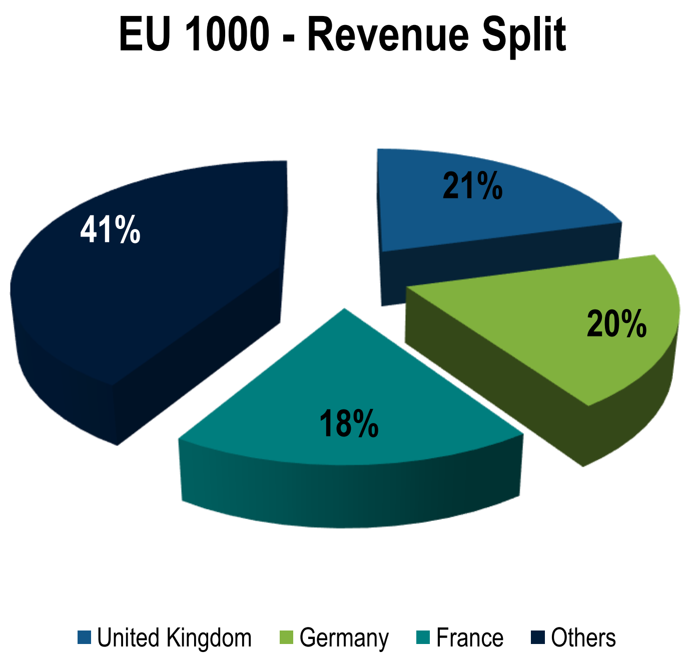
Note: All percentage changes were derived from a weighted average of the Top / Bottom 10 Industries based on total percentage change in CCC

Agenda

- Working Capital Performance
- Working Capital Opportunity
- Working Capital Performance Sustainability
- Cash Management
- Industry Working Capital Performance
- Country Working Capital Performance
- Appendix

Three countries and 444 companies account for 59% of the revenue in REL's EU 1000 Survey



Countries	# of Companies	Revenue 2014	% of Total Revenue
United Kingdom	230	€1,668 B	21%
Germany	112	€1,567 B	20%
France	102	€1,460 B	18%
Switzerland	74	€725 B	9%
Netherlands	56	€700 B	9%
Italy	52	€332 B	4%
Spain	42	€287 B	4%
Sweden	61	€264 B	3%
Denmark	39	€167 B	2%
Ireland	26	€163 B	2%
Finland	46	€136 B	2%
Norway	24	€125 B	2%
Belgium	21	€125 B	2%
Luxembourg	15	€106 B	1%
Austria	21	€87 B	1%
Portugal	9	€59 B	1%
Greece	13	€34 B	0%

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Note: Channel Islands and Cyprus have been eliminated from the table as outliers
Note: companies are allocated to countries based on where the headquarters are located

Working capital performance varies significantly by country

- Southern European countries such as Portugal and Italy are top performers in CCC due to their customary practice of later payments to suppliers
- DACH (Germany, Austria and Switzerland) as a region has the highest CCC. This is being driven by inventory levels, and is to be expected due to its manufacturing nature
- Particularly high inventory levels in Sweden are driving it to the last position in CCC, with average DSO throughout the Nordics being relatively consistent, suggesting similar customer payment behaviour across the countries

Country Medians	CCC 2014	DSO 2014	DIO 2014	DPO 2014
Spain	-6	65	44	130
Portugal	20	35	31	57
United Kingdom	27	44	34	50
Italy	29	71	44	112
France	30	64	50	76
Cyprus	31	62	33	64
Belgium	33	57	58	66
Norway	33	49	47	57
Ireland	33	52	41	48
Netherlands	39	52	41	54
Luxembourg	48	35	76	49
Denmark	53	52	52	58
Finland	56	46	57	44
Greece	66	57	32	50
Austria	68	48	78	51
Germany	71	52	74	55
Channel Islands	74	73	74	23
Switzerland	74	54	71	55
Sweden	77	54	78	51

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Note: companies are allocated to countries based on where the headquarters are located

Over the past 5 years, the majority of European countries have improved their cash conversion cycle

- Over the past 5 years, the majority of European countries have improved their CCC showing the importance on cash as a strategic objective
- Benelux countries in particular are showing significant improvements
- Opportunities still exist. In countries where cash has generally been available, the CCC position has either stagnated or declined slightly
- Portugal, whilst being in the lead position in 2011, has deteriorated the most in the past 5 years

Country	GDP 2014 (€ B)	CCC 2010	CCC 2011	CCC 2012	CCC 2013	CCC 2014	Improvement
Belgium	€402.27 B	16	-3	9	3	-6	-23
Italy	€1616.04 B	24	15	20	25	9	-16
Netherlands	€655.37 B	48	32	37	38	33	-15
Austria	€328.99 B	54	53	45	37	41	-14
Luxembourg	€45.28 B	66	68	60	60	57	-9
Spain	€1058.47 B	-4	-2	-5	-10	-13	-9
Denmark	€256.94 B	39	36	38	33	31	-8
United Kingdom	€2222.36 B	31	23	25	29	25	-6
Switzerland	€516.07 B	56	56	52	49	50	-6
France	€2142.02 B	32	31	31	28	27	-6
Germany	€2903.79 B	49	52	48	49	50	1
Sweden	€429.47 B	66	70	70	69	69	3
Ireland	€185.41 B	47	43	50	49	51	4
Cyprus	€17.51 B	27	24	33	40	31	4
Finland	€204.01 B	60	73	70	64	66	5
Norway	€377.22 B	18	43	36	43	32	14
Portugal	€173.05	-18	12	12	7	4	23

Note: Channel Islands and Greece have been eliminated from the table as outliers .
Note: Improvement is calculated based on the difference between 2010 and 2014 CCC performance.
Note: companies are allocated to countries based on where the headquarters are located

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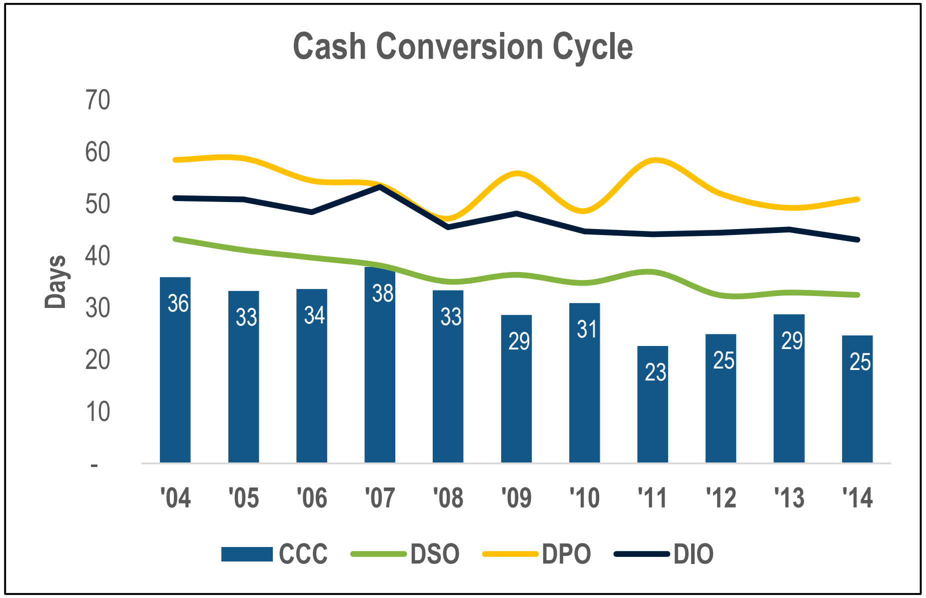
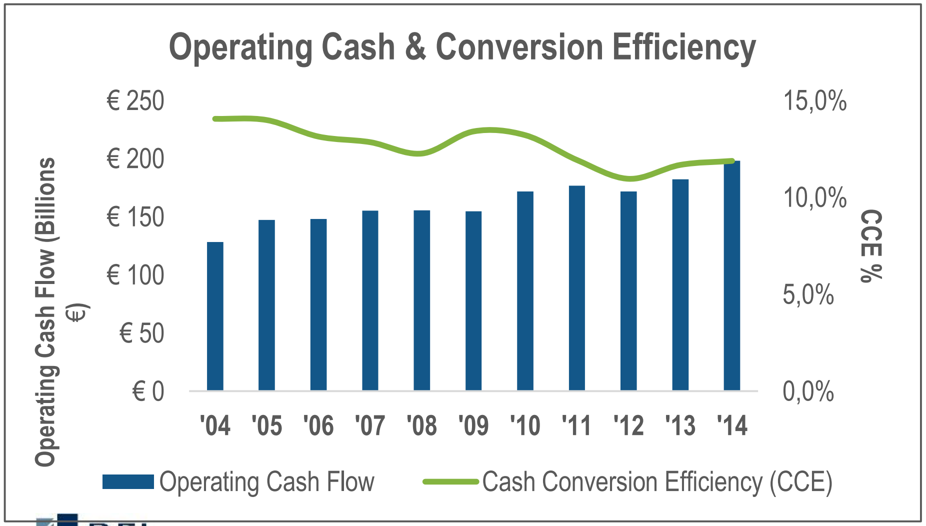
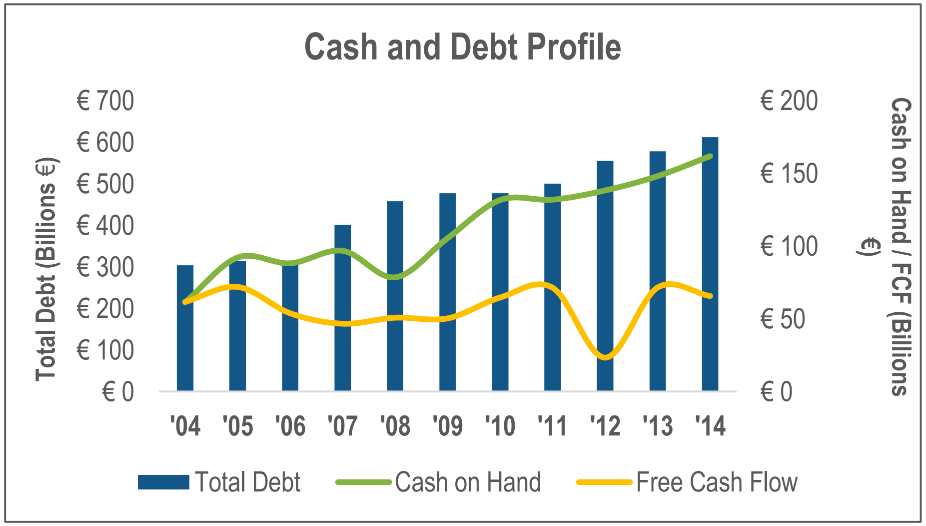
Country focus: United Kingdom

- The UK economy continued to grow throughout 2014 (GDP increase of 3.2%). During this time:
  - Absolute values of each working capital element increased (receivables 5.8%, inventories 4%, payables 15.4%) but,
  - Working capital performance improved by 5 days (cash conversion cycle) year on year with a continuing downward trend since 2004
- 2014 improvement was driven by all working capital elements but the long term trend largely by reductions in receivables (DSO) and inventory (DIO)
- Aggregate UK analysis masks a performance deterioration in some individual companies year-on-year – CCC 35% of those analysed, DSO 52%, DIO 33%, DPO 38%
- Operating cash flow continued to increase (8.6%), while Conversion Efficiency remained stable at 12%
- Total debt rose again year on year (5.9%), as did Cash on Hand (9.2%), with Free Cash Flow decreasing (6.2%)







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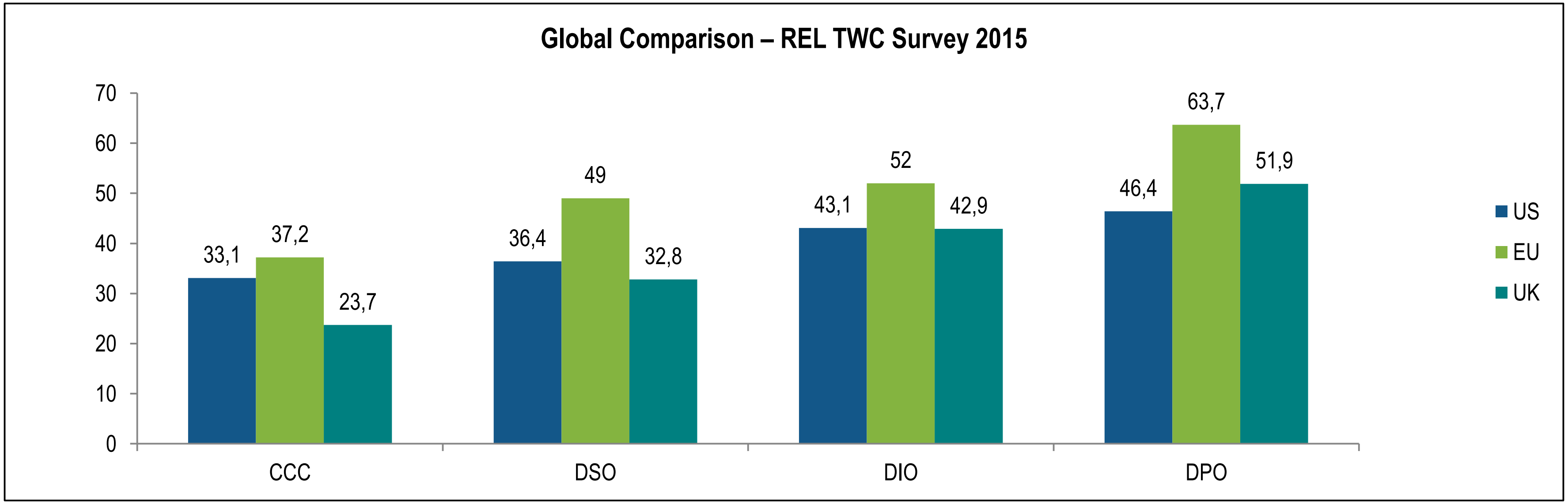
United Kingdom performance compares favourably to that of Europe and United States

- Overall working capital performance in the UK is better than EU as a whole and the US. Contributing factors are:
  - ‘Service’ being the largest sector in the UK economy (3/4 of total) as well as the fastest growing
  - A mature market with a focus on working capital in many large organisations
  - Government directives such as the ‘Prompt Payment Code’…
- However, despite working to the same legislation as other EU members, Payables performance in the UK remains behind, although better than the US
- Receivables and Inventory in the UK both appear to be better managed than in EU or the US



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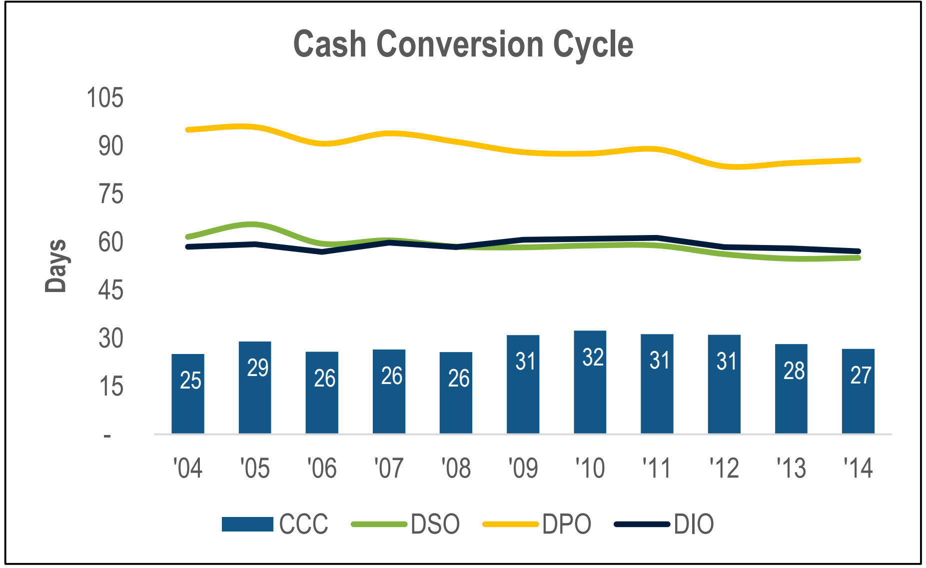
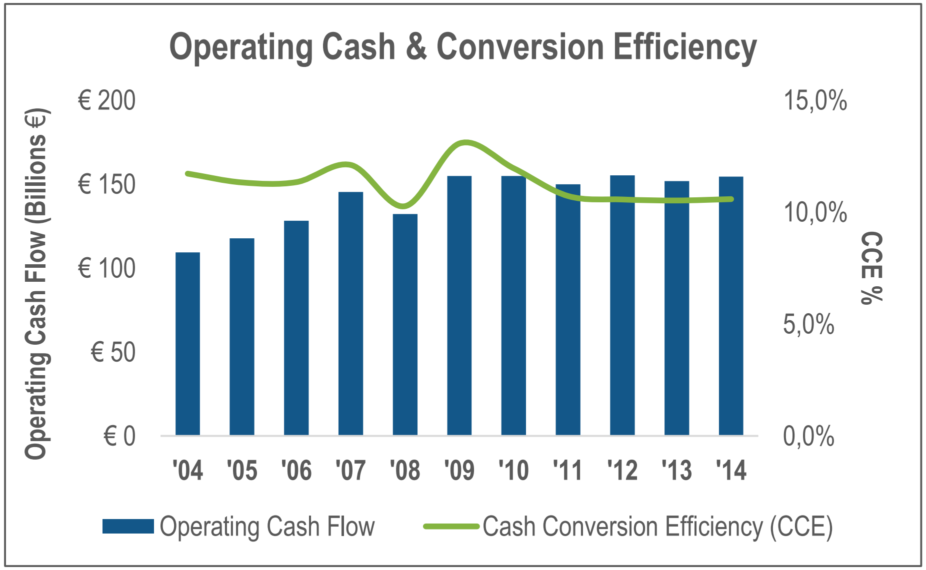
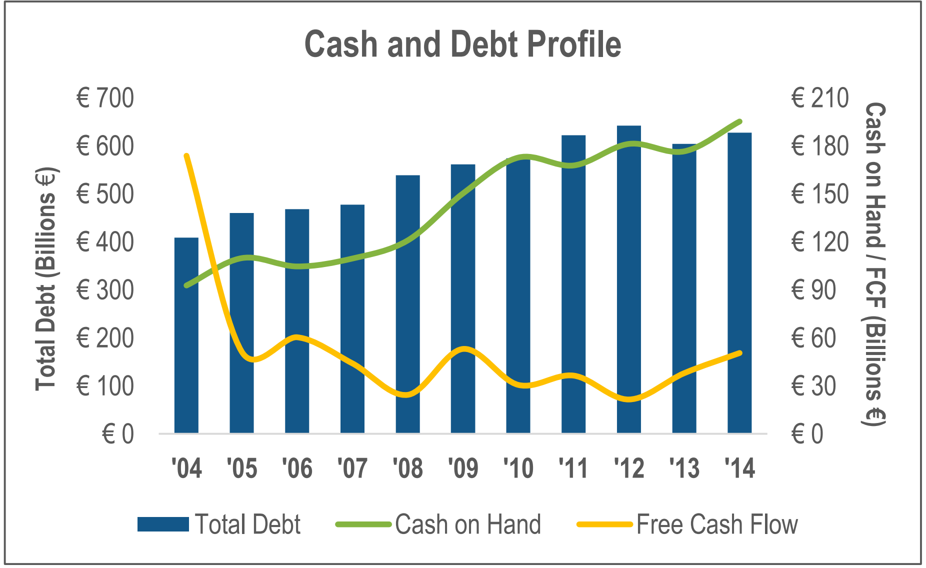
Country focus: France

- Free Cash Flow has fluctuated in the last 10 years reaching a low point in 2012 (-51% since 2005) for various reasons:
  - <u>2005 to 2012: Deterioration</u>
    - Revenue has certainly grown over time (+41%) but,
    - CAPEX (+60%) and Debt profile (+40%) have increased steadily, highly impacting FCF position
    - Cash Conversion cycle has deteriorated (-7%) mainly due to reduction in DPO from European LME directive (-13% DPO)
  - <u>Since 2012: Improvement</u>
    - Revenue has slowed down (-0.7%) but,
    - CAPEX (-4%) and Debt Profile (-2%) have stabilized
    - Cash Conversion Cycle has improved (-13%)
    - Operating Cash Flow is very stable since 2011
- While debt levels remain high, improving the Cash Conversion Cycle is one of the main levers for improving Free Cash Flow







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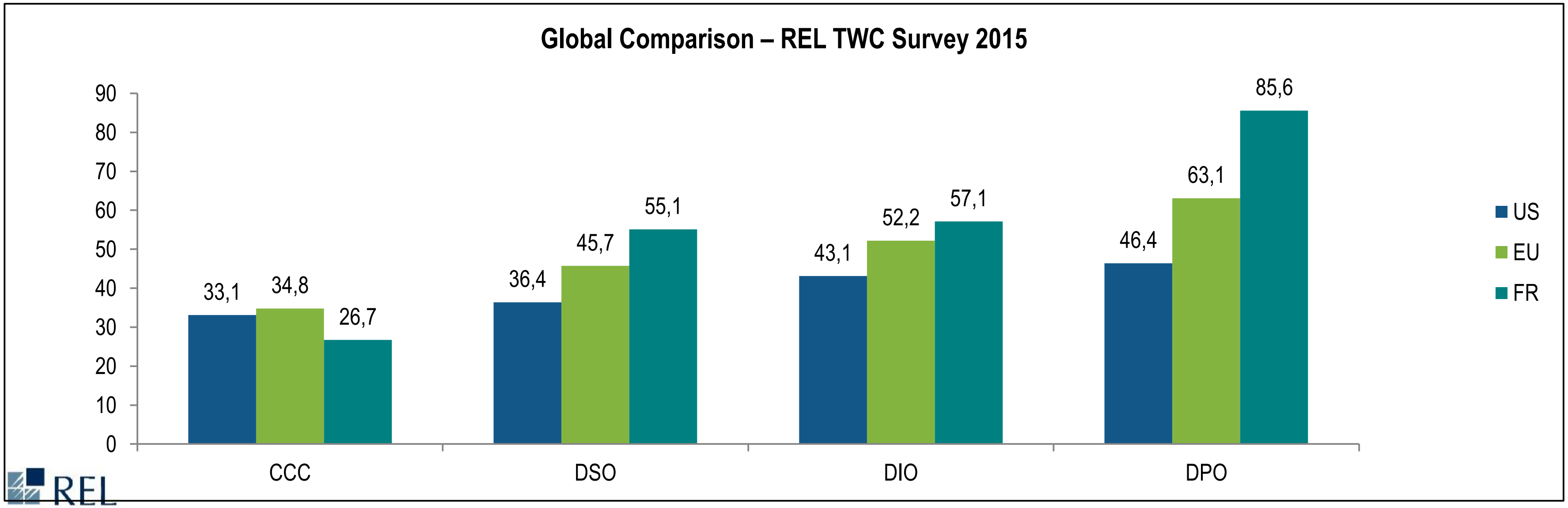
Global comparison for France's selected companies shows significant disparities in all areas of working capital compared to other regions

- French selected companies have a better overall Cash Conversion Cycle as DPO is higher than in other countries.
  - European guidelines are saying that 60 days net is the maximum payment term allowed but traditionally France on-time payment performance is poor, increasing DPO values
  - Nonetheless, poor on-time payment could not explain 25.6 days difference hence the DPO could be influenced by the large multi-nationals who still contract with non – EU suppliers at longer terms or due to trade financing
  - Aligning with European standard would lower French DPO by 22.5 days (26%), witch would negatively impact overall working capital by 63 Billion Euros (based on daily COGS of 2.8 Billion Euros)
- However, opportunity for improvement lies in improving DSO and DIO as French companies are above the European average
- Bigger discrepancies are more likely to exist between Europe and US as accounting methods, industry mix and general practices will differ



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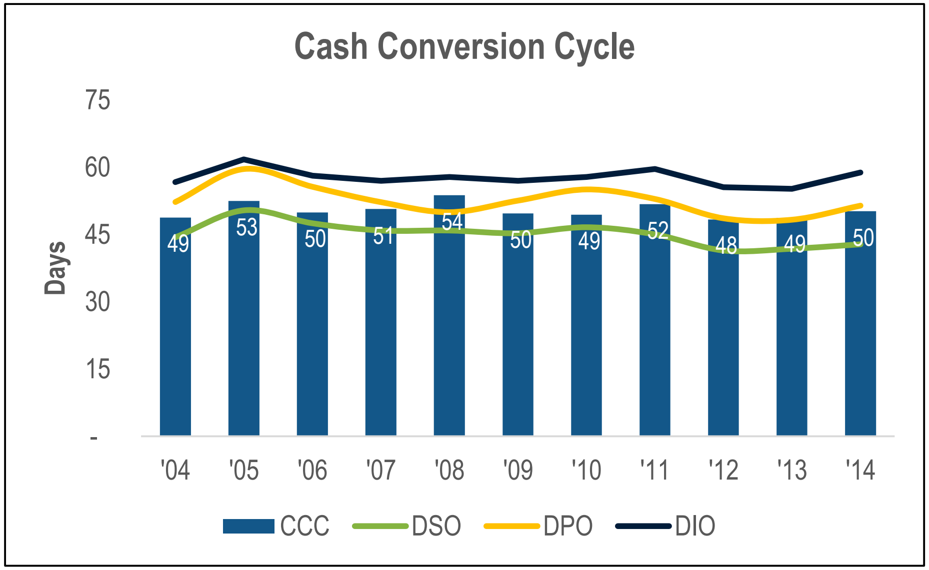
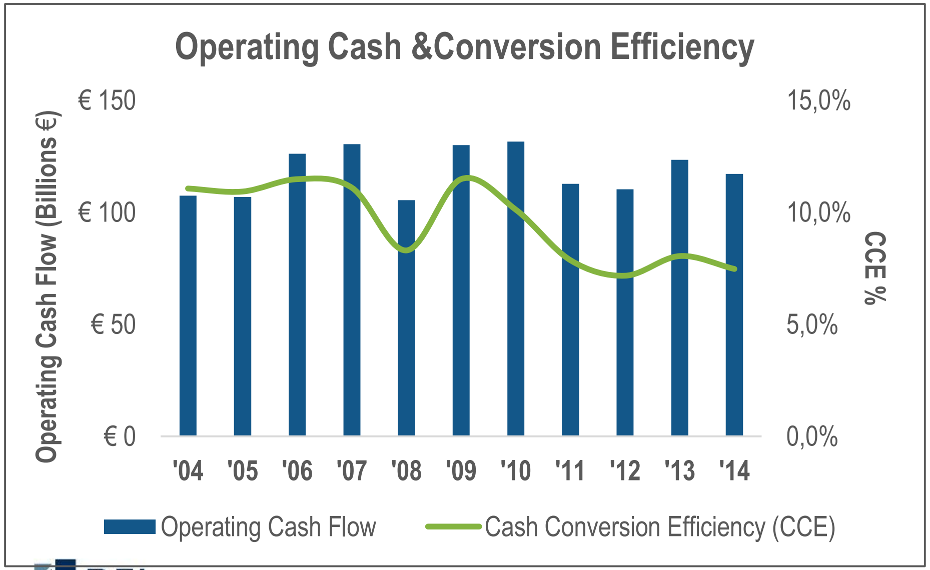
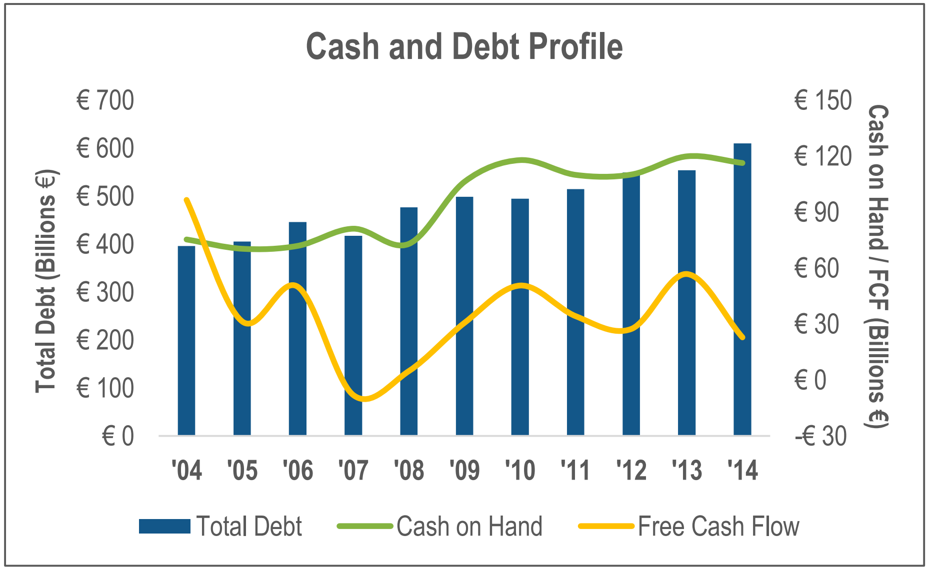
Country focus: Germany

- Overall performance in working capital has remained static for Germany. CCC merely deteriorated by two days to 50
- A small improvement (3 days) seen in DPO from 48 days in 2013 to 51 in 2014 was negated by a worsening of DIO by 4 days
- Operating cash flow and cash conversion efficiency, both decreased recently
- Free cash flow has fallen sharply from 57 to 23 billion, this being attributed mostly to changes in NWC (current assets and liabilities) for a hand full of top German companies
- Debt has increased by 10%, access to capital has become more affordable and companies are taking advantage of it







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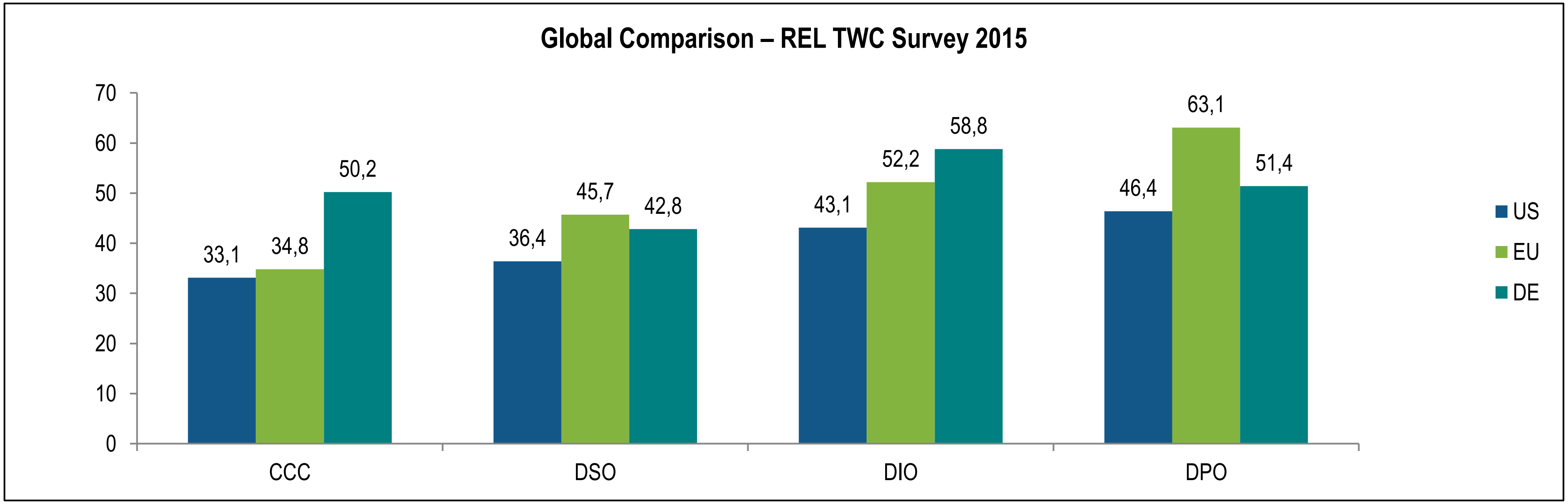
Global comparison for Germany shows potential to improve in all areas of working capital

- Although Germany shows approximately 15 days improvement potential when aligning its inventory performance to the United States, this is explained by the heavy industrial mix of companies that Germany has
- Small improvements are also possible in payables performance, a gap of 8.6 days to the average of 60 days that EU legislation enforces
- Although Germany is more efficient at collecting the receivables than the EU peers, there is still a 6.4 days gap to the US performance



Agenda

- Working Capital Performance
- Working Capital Opportunity
- Working Capital Performance Sustainability
- Cash Management
- Industry Working Capital Performance
- Country Working Capital Performance
- Appendix

Overall working capital performance summary

- In 2014, the European Union's GDP increased just 1.3%
- For the REL 1000 companies, the revenue increased slightly, 3.1% from 2013, however there was a decline in gross margins of 1.7%
- The NWC as % of revenues showed some improvements (3.9%) meaning focus has been paid to working capital process efficiencies despite falling profits
- Cash conversion cycle (CCC) improved by 2 days (5.5%) and is at 34.8 days, however a total improvement potential of € 1.1 trillion still awaits the European companies
- DIO deteriorated marginally from the 2013 position, while DPO and DSO improved
  - DSO deteriorated with a 0.2 days reduction (0.3%)
  - DIO deteriorated with a 0.1 days reduction (0.2%)
  - DPO improved with a 2 days increase (3.3%)
- The working capital improvement opportunity of €1.1 trillion equates to 7.8% of the 2014 European GDP. By component the improvement opportunity is
  - € 304 billion in inventory
  - € 320 billion in receivables
  - € 468 billion in payables
- Top performers in REL 1000 (companies in the upper quartile in their industry) convert cash 8.8 times faster than the typical (median) companies

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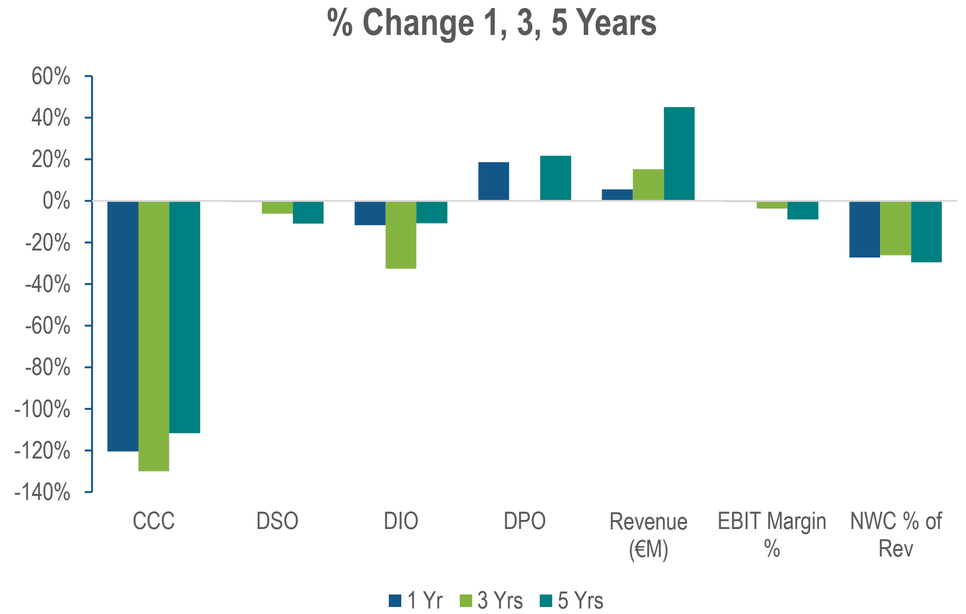
Overall working capital performance summary

- Costs are showing some increase – COGS increased by 3.9% YoY, operating expenses by 3.2% YoY and SG&A marginally improve by 0.3%
- Profit margin (net income / revenue) increased by 22.9% YoY, EBIT margin (EBIT / revenue) worsened by 2.7% and EBITDA margin (EBITDA / revenue) stagnated
- Operational inefficiencies are addressed in some areas of cash management as cash conversion efficiency improves by 1.1% this year for a third consecutive year
- The free cash flow increased by 13.7% indicating that where improvements and focus is being made into process enhancements, the benefits are being levied
- Cash on hand has continued to increase since 2011 now at €800 billion (6.2% increase YoY from 2013), and debt overall has come up 5.2% YoY.
- Capex overall continues to increase after several years where investment has been quite heavy

Industry focus: Transportation Infrastructure (CCC Improving)

- CCC has improved by 8 days in 2014, and is the second best next to 2010 of -2 days.
- Transportation and infrastructure holds little inventory , outsourcing maintenance contracts and capitalizing any expensive equipment
- DPO increased YoY by 9 days and this could be attributed to outsourcing and automation of the payables process.
- DSO shows signs of maturity fluctuating around 60 days for the past 5 years and now stabilizing at 56 days
- Steadily increasing revenues and a falling EBIT margins show that efficiencies in working capital improvements could free even more cash for the much needed business agility in the near future.

METRIC	2009	2010	2011	2012	2013	2014
CCC	19	-2	7	11	11	-2
DSO	63	59	60	62	56	56
DIO	13	16	17	17	13	12
DPO	57	77	70	67	59	70
Revenue (€M)	€ 16,670	€ 19,624	€ 20,981	€ 22,334	€ 22,912	€ 24,182
EBIT Margin %	40%	38%	38%	37%	37%	37%
NWC % of Rev	9%	7%	9%	10%	9%	7%



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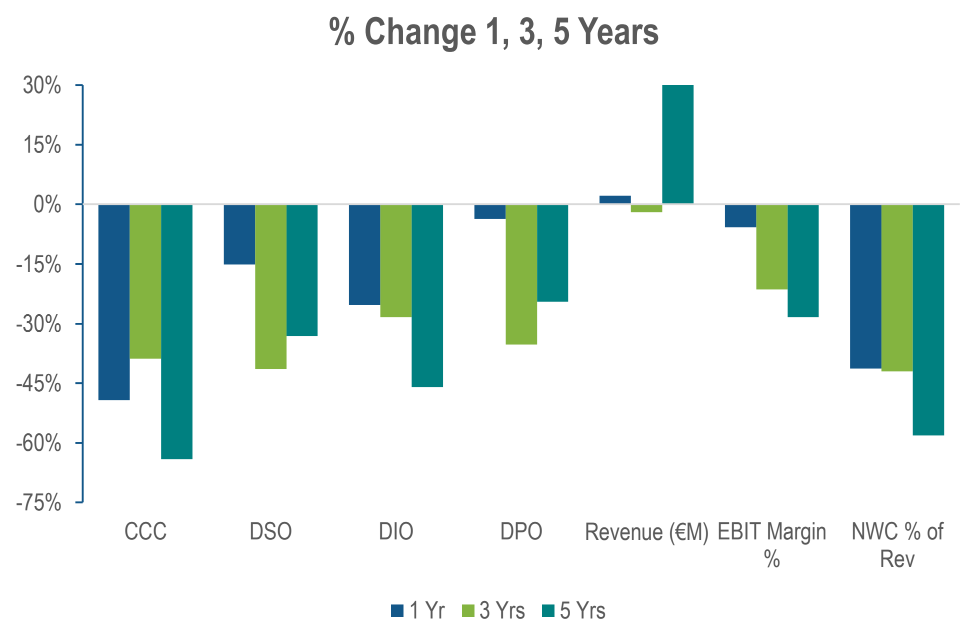
Industry focus: Oil, Gas and Consumable Fuels (CCC Improving)

- CCC is at its lowest in 6 years driven by improvements in DSO and DIO.
- Slow down in revenues allows the industry to focus on operational efficiencies and improve its working capital positions.
- Marked improvement on DIO from 34 days to 26 days is attributed to the big players (e.g. Shell, BP, Total) reducing their Oil stocks dramatically in 2014
- Divesting in time from the big players in Europe also helped the DSO performance to reach a 6 years low
- Cutback on investment due to the Oil prices affected the DPO performance marginally in 2014

METRIC	2009	2010	2011	2012	2013	2014
CCC	36	31	21	26	25	13
DSO	46	41	52	35	36	31
DIO	47	40	36	34	34	26
DPO	57	50	67	43	45	43
Revenue (€M)	€ 743,457	€ 962,034	€ 1,202,766	€ 1,252,902	€ 1,153,581	€ 1,178,636
EBIT Margin %	17%	14%	16%	14%	13%	12%
NWC % of Rev	11%	9%	8%	8%	7%	4%



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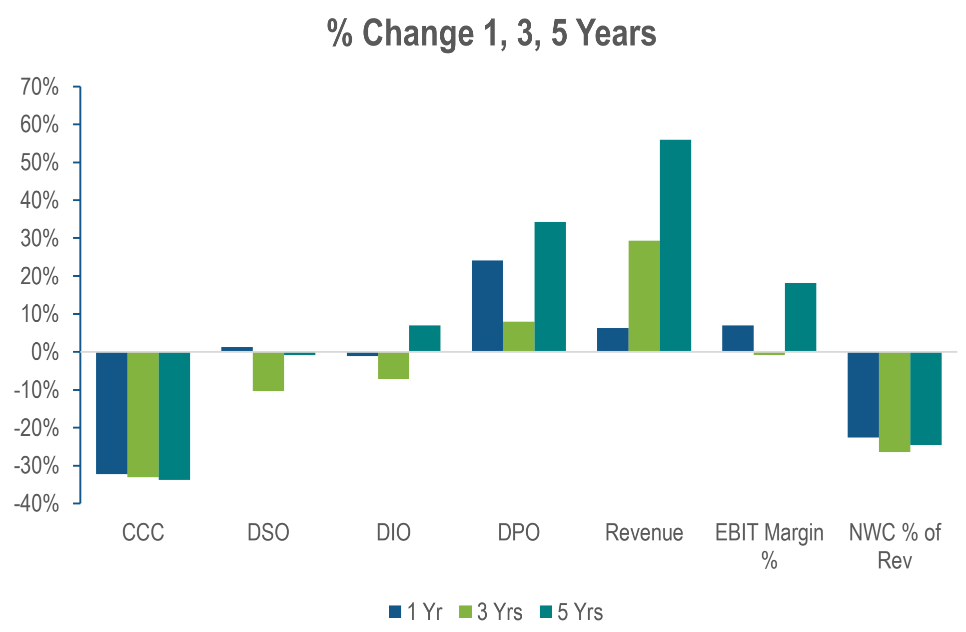
Industry focus: Containers and Packaging (CCC Improving)

- The constant growth of revenue is doubled by a 15 days improvement in CCC for the containers and packaging industry. The European market is dominated by regional players and specialized companies increasing customer proximity and strengthening their position, shown by a quite constant level in the DSO.
- The drop in oil prices has contributed to the growth of the packaging industry by a lower price in raw materials. A slight improvement in DIO contributes to the general improving trend of the industry, this coming despite the growing complexity (product range) in the upstream market.
- The industry is not only innovating in packaging (new printing technologies), but also in supplier collaboration. A 10-day achievement is marked in terms of DPO supported by cooperation platforms.

METRIC	2009	2010	2011	2012	2013	2014
CCC	47	46	47	50	46	31
DSO	50	55	55	53	49	50
DIO	40	44	46	48	43	42
DPO	41	50	51	50	45	55
Revenue (€M)	€ 19,097	€ 20,683	€ 23,030	€ 24,452	€ 28,028	€ 29,791
EBIT Margin %	11%	13%	13%	13%	13%	13%
NWC % of Rev	13%	13%	14%	14%	13%	10%



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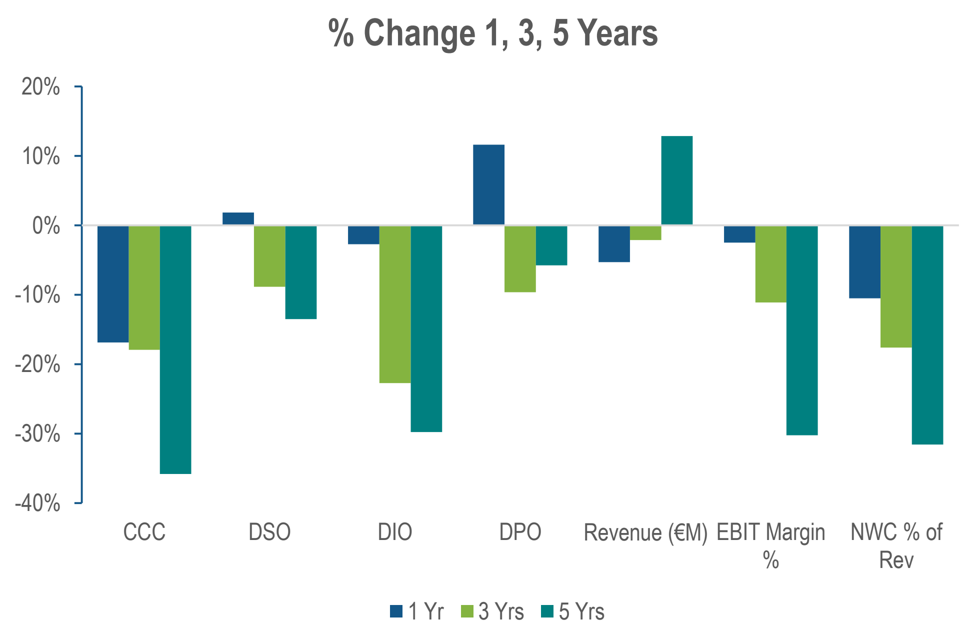
Industry focus: Multi Utilities (CCC Improving)

- The CCC of 2014 is the lowest the industry has achieved in 6 years and is driven mostly by DPO
- DSO has seen a small deterioration, although at a company level many big players have improved greatly their receivables performance 1 company mitigates the results. This is due to a significant drop in revenue, warm weather, and unchanged receivables balance.
- DIO has seen another 1 day improvement in 2014 continuing the trend that started in 2011. Many of the energy providers are capitalizing spare parts and this could be seen in the overall inventory levels.
- DPO improvement is driven by the same company that mitigated the DSO improvements. They have seen a drop in COGS associated with the drop in revenues for 2014 but the overall levels of payables are lower.

METRIC	2009	2010	2011	2012	2013	2014
CCC	40	40	31	27	31	26
DSO	73	74	69	64	62	63
DIO	26	23	24	21	19	18
DPO	59	57	62	57	50	56
Revenue (€M)	€ 290,445	€ 312,655	€ 334,977	€ 366,257	€ 346,185	€ 327,855
EBIT Margin %	17%	17%	13%	13%	12%	12%
NWC % of Rev	14%	14%	12%	10%	11%	10%



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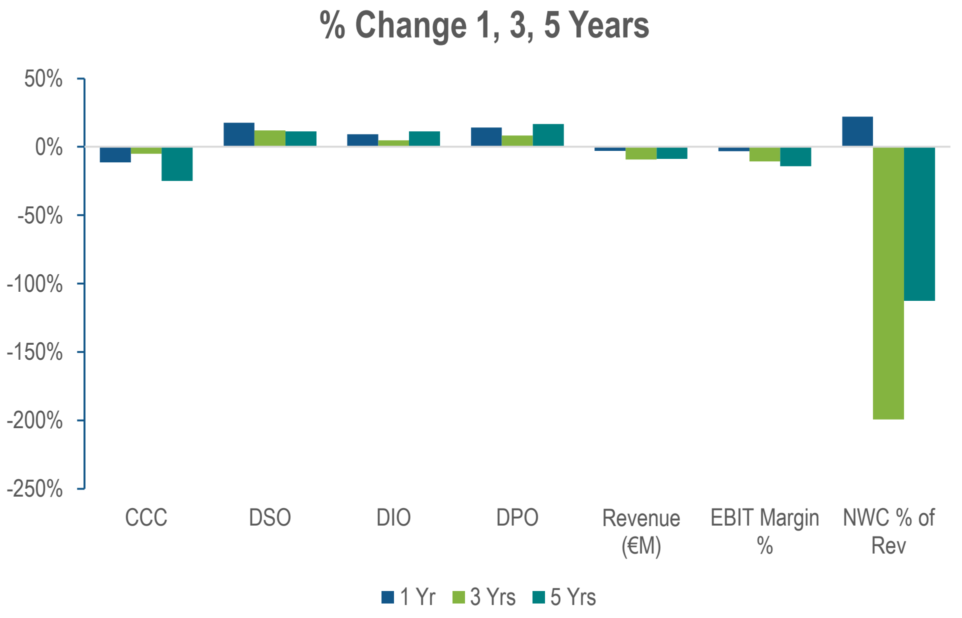
Industry focus: Diversified Telecommunication Services (CCC Improving)

- DPO has been mitigating the overall impact on the industry in CCC, with sustained improvement. Many companies report leveraging finance solutions to further extend trade payables, as well as high spend investment in next generation networks and new markets.
- Whilst DIO has risen, this can primarily be attributed to higher handset costs driving up COGS for those operating heavily in wireless telecoms
- However, DSO is the real surprise. After a period of sustained improvement, a sharp increase is noted in 2014. Key players attribute this to market expansion outside of Europe, primarily moving to instalment plans versus subsidised equipment as well as a change in volumes to factoring companies.

METRIC	2009	2010	2011	2012	2013	2014
CCC	-40	-44	-48	-43	-45	-50
DSO	51	52	50	49	48	56
DIO	11	11	11	12	11	12
DPO	101	107	109	104	104	118
Revenue (€M)	€ 278,692	€ 284,787	€ 280,463	€ 273,849	€ 262,385	€ 254,430
EBIT Margin %	35%	33%	33%	32%	31%	30%
NWC % of Rev	1%	1%	0%	0%	0%	0%



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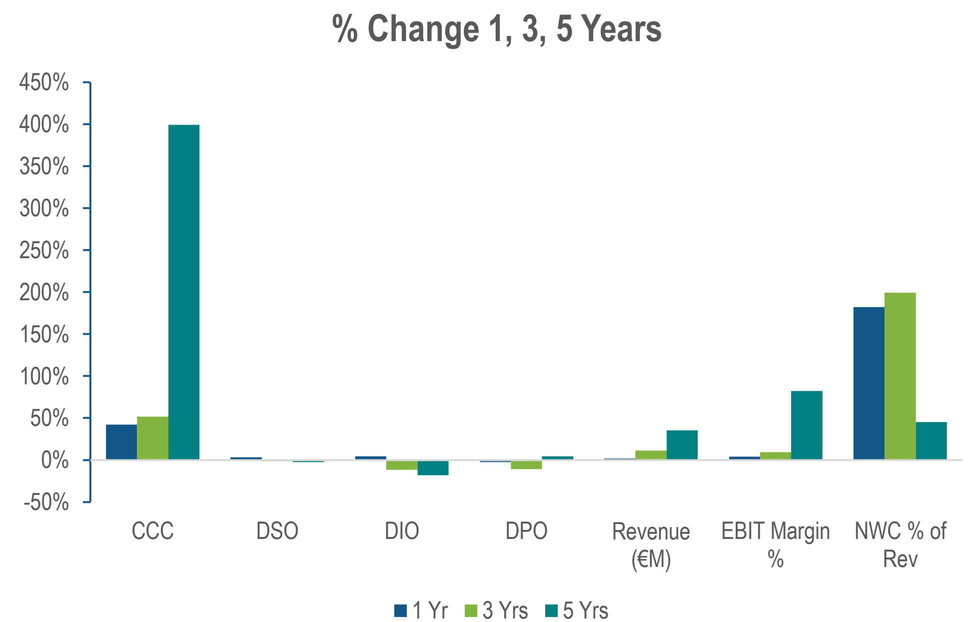
Industry focus: Airlines (CCC Worsening)

- European airlines are maintaining the negative cash conversion cycle, collecting monies owed before paying suppliers, however, YOY performance has deteriorated by 1 day in 2014, the lowest performance since 2010.
- Industrial action, external events (Ukraine crisis, Ebola) and increased competition from Gulf carriers all contributed to a slowing in revenue growth in 2014
- In addition to weakening growth, increased diversification into non-passenger revenue streams by some carriers may be contributing to worsening working capital performance with receivables (DSO) up 2 days from the 10 year low in 2012.
- DPO has levelled out after the improvements seen in 2013. Further efforts are required to bring payables performance up to the levels seen before 2012

METRIC	2009	2010	2011	2012	2013	2014
CCC	1	-2	-6	-4	-5	-3
DSO	27	29	27	25	26	27
DIO	10	9	9	8	8	8
DPO	36	41	43	37	39	38
Revenue (€M)	€ 71,612	€ 73,433	€ 87,066	€ 93,939	€ 95,148	€ 96,947
EBIT Margin %	5%	7%	8%	7%	9%	9%
NWC % of Rev	2%	1%	0%	1%	0%	1%



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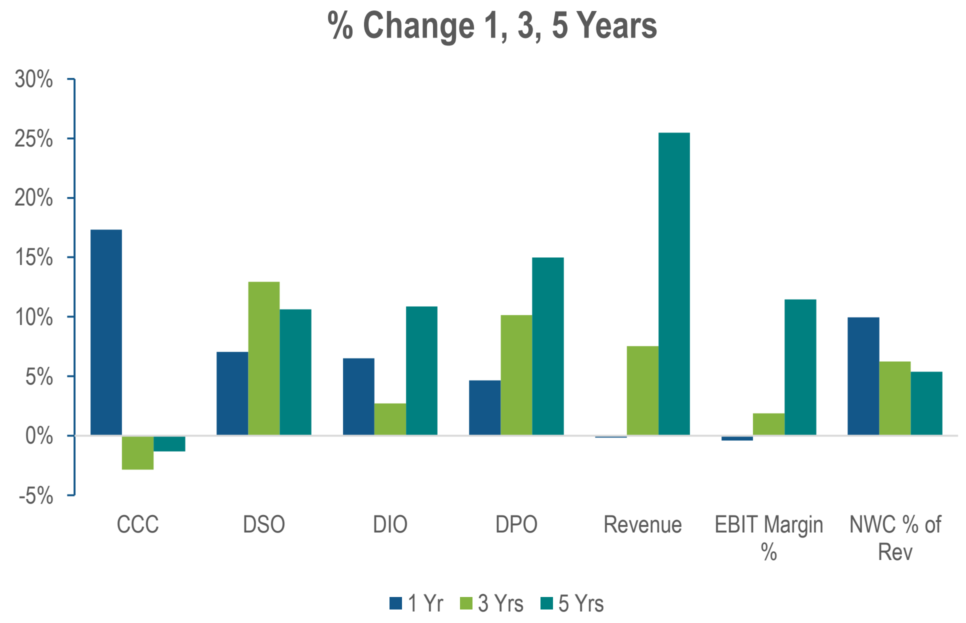
Industry focus: Household Products (CCC Worsening)

- Although the EU economy has been showing signs of improvement, GDP up 1.3% in 2014, revenues for Household products stagnated over the past two years
- CCC performance is not doing any better, deteriorating 4 days in 2014, mostly driven by operational inefficiencies for inventory and receivables
- What was already a relatively high level of inventories is now deteriorating again. This could be attributed to the extended product range offered and optimistic forecasts for growth in 2013 and 2014
- DSO is also up 3 days in 2014 , a fact that could be attributed to the uncertainty in Eastern Europe, as well as the fact that retailers have a better position in negotiating payment terms
- At their turn household products manufacturers are taking advantage of their power over suppliers and appear to be paying over 30 days late according to the EU guidance

METRIC	2009	2010	2011	2012	2013	2014
CCC	28	29	29	25	24	28
DSO	50	54	49	50	52	55
DIO	63	71	68	65	67	70
DPO	85	96	88	89	95	97
Revenue (€M)	€ 32,498	€ 36,019	€ 37,926	€ 40,774	€ 40,849	€ 40,780
EBIT Margin %	18%	19%	19%	19%	20%	20%
NWC % of Rev	10%	11%	10%	10%	10%	11%



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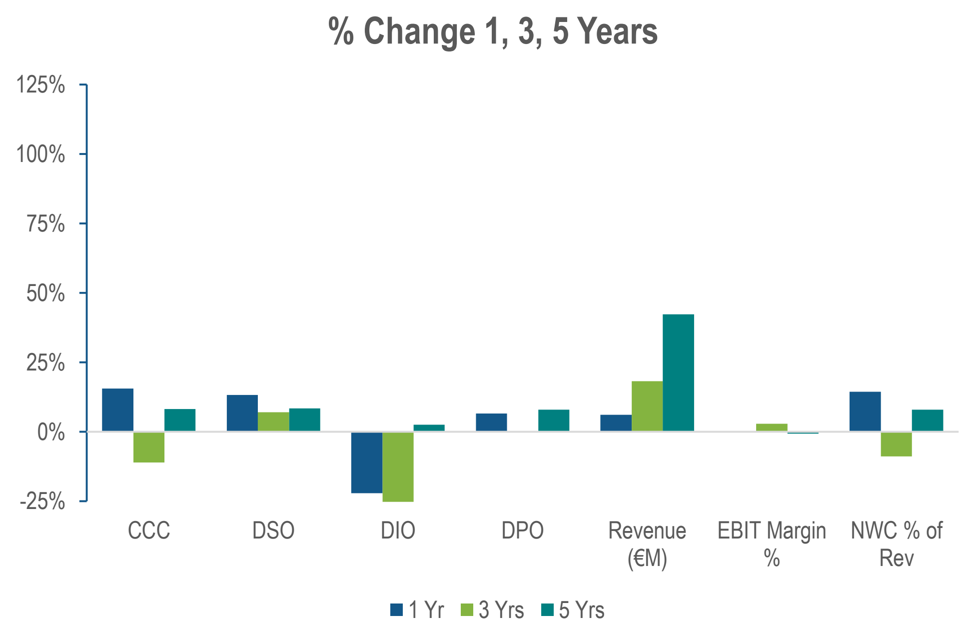
Industry focus: IT Services (CCC Worsening)

- IT services is showing another deterioration in CCC performance, driven by a 9 days increase in DSO.
- Although the revenues are up significantly, the collections processes are burdened by performance related or payment on completion type of projects. DSO has deteriorated across the board for the studied companies, although singular companies accentuated the effect.
- Being a service based industry the levels of inventory are relatively low and easy to control. This is reflected in the 2 days improvement of 2014.
- Having a diverse portfolio of companies, the IT industry sees an improvement in DPO driven by those organisations with a global presence.
- By diversifying the offering, the revenue has steadily increased with 18% over the last 3 years. The cost reductions were offset with the level of customizations delivered, a trend which is visible in the steady EBIT rate of 13%.

METRIC	2009	2010	2011	2012	2013	2014
CCC	33	34	32	30	31	36
DSO	73	78	74	69	70	79
DIO	5	6	7	6	7	5
DPO	45	50	48	45	45	48
Revenue (€M)	€ 41,872	€ 45,915	€ 50,407	€ 56,753	€ 56,187	€ 59,597
EBIT Margin %	13%	13%	13%	13%	13%	13%
NWC % of Rev	12%	13%	12%	11%	11%	13%



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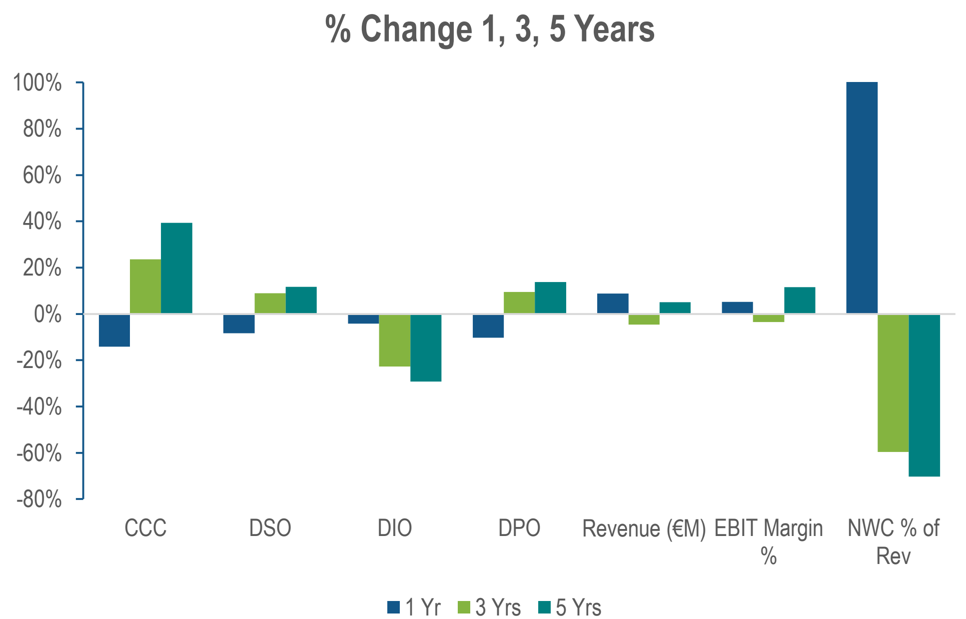
Industry focus: Media (CCC Worsening)

- CCC performance sees a 10 days deterioration, in majority being driven by DPO performance.
- DIO has seen an improvement trend since 2009, this being attributed to the Media industry moving towards mobile / digital
- Increasing complexity of sales channels and offerings in the Media industry has increased the complexity in the collections processes too. We now see in 2014 the first improvement after what can be named a continuous deterioration trend.
- DPO being the main driver of CCC , had a marked deterioration of 20 days. This is mostly attributed to a higher COGS across the board in the industry correlated with a small decrease in payables balance.

METRIC	2009	2010	2011	2012	2013	2014
CCC	-46	-55	-52	-58	-75	-65
DSO	79	81	81	83	96	88
DIO	24	23	22	20	18	17
DPO	149	159	155	161	189	169
Revenue (€M)	€ 101,049	€ 108,721	€ 111,303	€ 108,386	€ 97,552	€ 106,115
EBIT Margin %	20%	22%	23%	22%	21%	22%
NWC % of Rev	3%	3%	3%	1%	0%	1%



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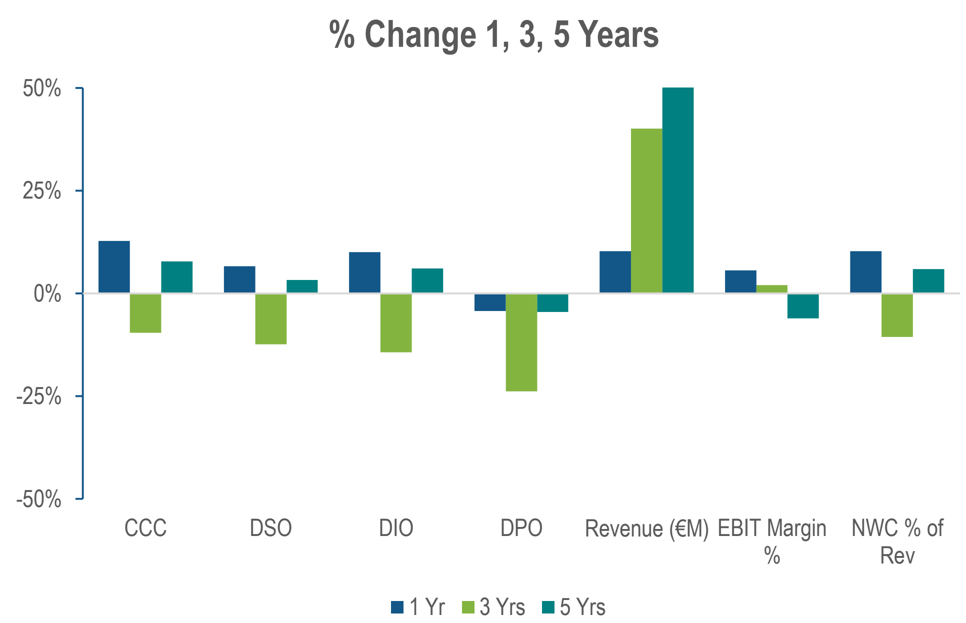
Industry focus: Life Sciences Tools and Services (CCC Worsening)

- All elements of working capital deteriorated in 2014 with inventory and receivables leading the way
- DIO shows a 7 days deterioration, implying that companies built up inventory in the eventuality that the pharma and biotechnology industries will pick up again in 2015
- COGS being relatively high in this industry, due to the expensive / complex product and manufacturing process, are reflected in an overall low level of payables performance
- DSO has also seen a 5 days deterioration, as the main customers here are the pharma and biotechnology industry the collections processes and payment terms are affected lack of power these companies hold in negotiations

METRIC	2009	2010	2011	2012	2013	2014
CCC	107	101	127	103	102	115
DSO	74	70	87	72	72	77
DIO	69	66	86	67	67	74
DPO	37	35	46	37	37	35
Revenue (€M)	€ 4,777	€ 5,326	€ 5,769	€ 7,312	€ 7,330	€ 8,080
EBIT Margin %	22%	21%	20%	18%	19%	20%
NWC % of Rev	26%	25%	31%	25%	25%	28%



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Survey Methodology

- The REL Working Capital Survey and Scorecard calculates working capital performance based on the latest publicly available annual financial statements of the 1,000 largest listed non financial companies with Headquarters in Europe. The surveys takes an industry-based approach to ranking companies according to the four key working capital metrics – Days Sales Outstanding (DSO), Days Inventory Outstanding (DIO), Days Payables Outstanding (DPO) and Cash Conversion Cycle (CCC). For each industry the companies are ranked according to overall DWC, the top three and bottom three performers are listed.
- Companies are classified according to the Standard and Poor’s Global Industry Classification Standard (GICS), using data sourced from Capital IQ. Historical comparisons within the survey are made on a like-for-like basis. Where off-balance sheet arrangements are used by the company, adjustments have been made to the data in order to provide true, consistent and comparable figures.

Survey Calculations

- Days Sales Outstanding (DSO): AR/(One day revenue)
  - *Year-end trade receivables net of allowance for doubtful accounts, divided by one day of average revenue*
  - *A decrease in DSO represents an improvement, an increase a deterioration*
- Days Inventory Outstanding (DIO): Inventory/(One day COGS)
  - *Year-end inventory balance divided by average days cost of goods sold*
  - *A decrease is an improvement, an increase a deterioration*
- Days Payables Outstanding (DPO): AP/(One day COGS)
  - *Year-end trade accounts payable balance divided by average days cost of goods sold*
  - *An increase in DPO represents an improvement, a decrease a deterioration*
- Cash Conversion Cycle (CCC): (DSO + DIO – DPO)
  - *Year-end DSO + DIO - DPO performance (in days as calculated above)*
  - *The lower the number of days, the better*

Glossary

CCC – Cash Conversion Cycle

COGS – Cost of goods sold

GDP – Gross domestic product

EBIT – Earnings before interest and tax

FY – Financial Year

YoY – Year on year

NWC – Net working capital

CCE – Cash conversion efficiency

SG&A – Selling, general & administrative

DSO – Days sales outstanding

DIO – Days inventory outstanding

DPO – Days payable outstanding

AR – Accounts receivables

AP – Accounts payable

WC – Working Capital

M&A – Merges and acquisitions

ECB – European central Bank

DACH – Germany, Austria & Switzerland

EU – Europe

US – United States

UK – United Kingdom

FR – France

DE – Germany

FCF – Free cash flow

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