



2013 Europe Working Capital Survey



Cash Flow Delivered

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2013 Europe Work

2013 Europe working capital survey finds more than €762 billion tied up in excess working capital

Most companies at high risk of cash crunch if interest rates rise

Working capital performance has improved by 6 per cent year-on-year among Europe's largest publicly traded companies, according to REL's 15th annual Europe Working Capital Survey. A division of The Hackett Group, REL surveyed 821 companies to come up with its 2013 findings, which confirm the positive trend in working capital performance over the last three years. This, company analysts explain, is an indication that companies understand the importance of working capital in today's difficult economy. Yet, many struggle to convert sales into actual cash.

Despite the improvement trend, about €762 billion remains tied up in excess working capital, representing a 12 per cent increase over the past three years. This amount is equal to 6 per cent of the European Union's entire gross domestic product (GDP).

However, the data provides reason to worry whether the improvements are sustainable. History has shown that companies tend to relax their focus on working capital following a period of improvement.

Working capital performance is mixed

First, the good news: days working capital (DWC) improved 6 per cent (to 40.8 days) year-over-year in 2012. This figure represents an improvement of 2.5 days since 2011 (Figure 1). This means that companies today have less working capital tied up in their business operations.

Two of the three components of DWC – days inventory outstanding (DIO) and days sales outstanding (DSO) – improved by 3.1 per cent and 6.4 per cent respectively. The third

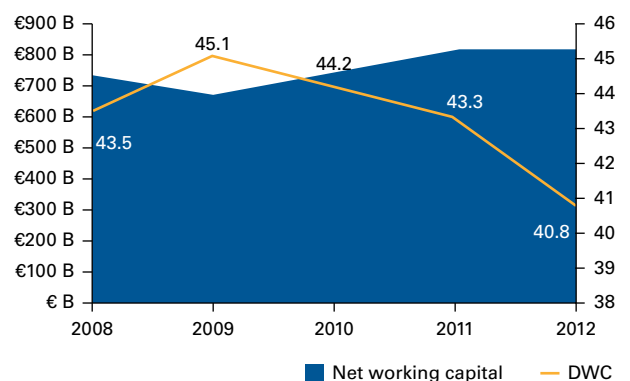


component, days payables outstanding (DPO), on the other hand, deteriorated by 4 per cent.

Although companies have successfully reduced inventory and accounts receivable, this achievement is partially offset by the reduction in the value of accounts payable.

Overall revenue for the companies included in the 2013 survey increased 6 per cent from the previous year and 35 per cent across the

Figure 1: 2012 Working Capital Survey performance



ing Capital Survey



three-year period. This revenue increase is linked in part to a 2 per cent increase in Europe's GDP in 2012. Cash conversion efficiency, measured as operating cash flow divided by revenue, has now deteriorated for the past three years in a row, from 13.4 per cent in 2009 to 10.6 per cent in 2012.

Companies are taking longer to convert sales into cash principally due to pressure on margins. Consequently, their efforts to improve working capital management are not

sufficient to counteract the squeeze on cash generation.

Part of the problem is the wide availability of inexpensive debt. This route to cash is initially straightforward compared with other sources of cash. Debt among the companies increased 6 per cent year-over-year in 2012 to €147 billion, and is up 11 per cent over the past three years (Figure 2). Such high debt levels invite concern that a potential increase in interest rates could adversely affect debt-leveraged portfolios. The ability of companies to pay down debt with cash from operations also declined 3 per cent over the period. Recently, the market for corporate bonds has slowed significantly, increasing the importance of finding alternative sources of cash to meet the business needs.

At the same time, business costs continue to rise. The cost of goods sold (COGS); selling, general and administrative expenses (SG&A); and operating expenses all increased by 8 per cent year-over-year. This explains why profitability, measured as EBIT (earnings before interest and tax) margin percentage, decreased by 9 per cent (Figure 3).

Year-over-year working capital performance

Component	2012 performance	Year-over-year trend
DWC	40.8 days	2.5 days improvement
DSO	46.6 days	3.2 days improvement
DIO	36.9 days	1.2 days improvement
DPO	42.6 days	1.9 days deterioration

Significant opportunities for improvement

The slight uptick in DWC performance is offset by the sizable opportunities that remain to improve overall working capital efficiency.

Figure 2: Cash and debit profile

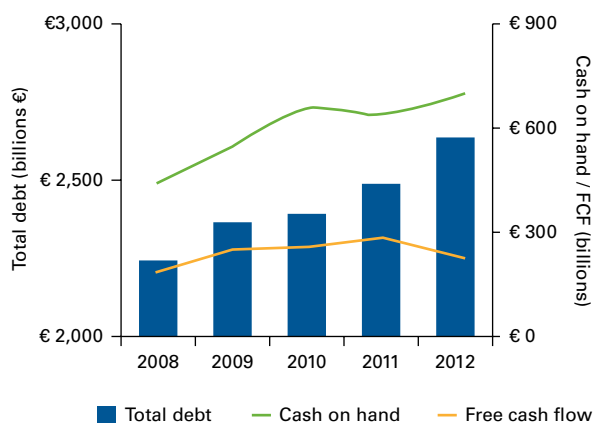


Figure 3: Overall survey performance

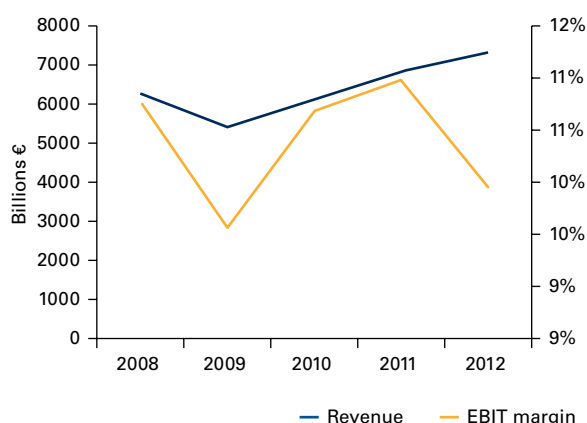
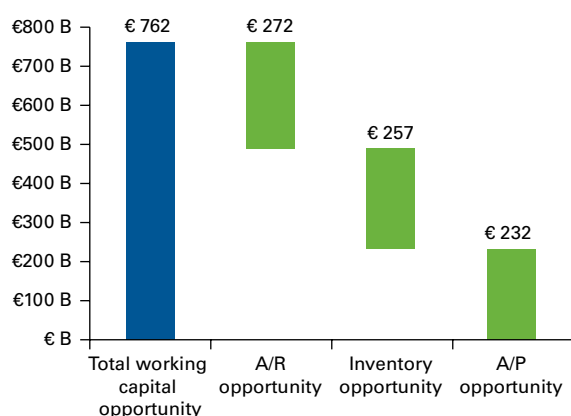


Figure 4: Working capital opportunity assessment



Altogether, companies in the survey have €762 billion in potential working capital opportunities (a figure equal to 6 per cent of the €12.9 trillion in European GDP) (Figure 4).

The biggest of these opportunities is in accounts receivable. Despite the strides that companies have made to enhance their receivables performance, approximately €272 billion is tied up in this area, representing 36 per cent of the total working capital opportunity. The €257 billion languishing in inventory and €232 million in payables represent other potentially lucrative improvement opportunities.

The findings point to a substantial DSO performance gap between upper quartile and median performers in the survey year-on-year, representing a €40 million cash flow impact for a typical €10 billion company.

Upper-quartile companies are defined as having the lowest DIO and DSO, or the highest DPO. These companies, in other words, are better able to manage debt, monitor cash flow and maintain a leaner operation than median performers. The survey findings reveal that top performers operate with less than half the working capital of median performers, hold less than half the inventory, pay suppliers two weeks later on average, and collect from customers more than two weeks sooner (Figure 5).

In the aggregate, working capital performance has turned a corner in the survey, improving year-on-year since the great recession. From this, REL analysts theorize that companies appear more conscious of the importance of working capital efficiency. However, their actions do not go far enough, given the substantial opportunities for DWC improvement that remain. Overall, the findings suggest that companies do consider working capital and cash to be important but the gains made are not making up for the slowdown in cash conversion and margin pressure.

“The improvements since 2009 show that companies are more conscious of the importance of working capital in the post-crash era, but they represent little more than a token effort in the grand scheme of things,” said Daniel Windaus, a managing director at REL.

“Cash conversion performance has been declining for three years in a row, showing that efforts in working capital management have not been sufficient to counteract the squeeze on cash generation. Add to this the

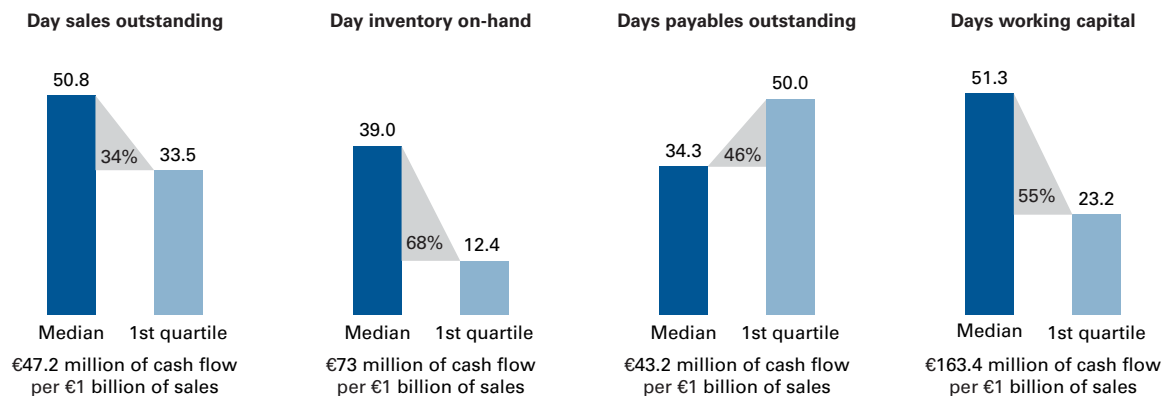


increase in debt levels and it is clear companies need to be extremely alert to the possibility of interest rate increases and the impact these would have on debt-leveraged portfolios," he continued.

Concerns over sustainability of improvements

The survey findings indicate that the sustainability of working capital improvements remains a major issue. Only one company

Figure 5: Top performers versus median performers



* Upper or 1st quartile performance - lowest DIO or DSO, or highest DPO in top 25% of companies
 † Median performance - median DIO, DSO, or DPO in all companies

improved all three constituent elements of DWC over the period. Looking back at the past five years' findings affirms this lack of sustainability – just 9 to 12 per cent of the companies in the survey achieved year-to-year DWC improvements over three consecutive years.

Equally sobering is that only about a quarter of the survey (225 companies) maintained DWC performance without it falling by more than 5 per cent over the three-year period. The remainder experienced at least one year in the past three years where this deterioration exceeded 5 per cent. These findings suggest that once companies enhance their working capital efficiency, focus is turned elsewhere and previous gains are lost or reduced. Concerns

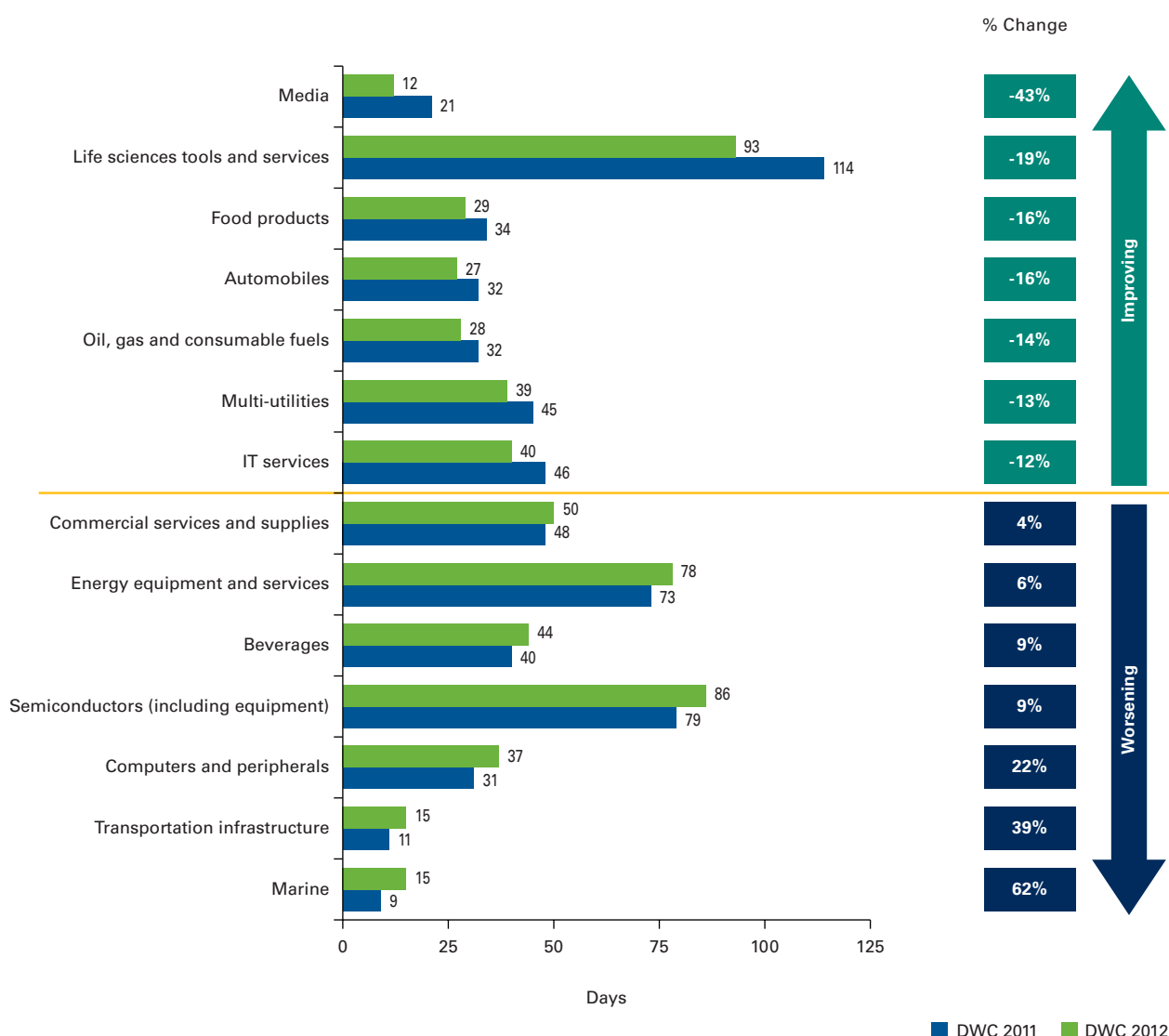
over sustainability are affirmed by the substantial decline in free cash flow, which fell by 18 per cent.

Free cash flow represents the capital that a company is able to generate after laying out the money required to maintain or expand its asset base. This capital is conserved via efficient working capital practices, and can be used to fund acquisitions, develop new products and reduce debt, thereby enhancing shareholder value.

Industry and country breakdowns

Given the ultimate goal of companies to increase shareholder value, the attainment of efficient working capital practices would

Figure 6: Best/worst percentage change in DWC performance by industry



The hotels, restaurants and leisure industry and airlines industry have 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.

certainly assist the ability to fund profitable growth ventures. Although there appears to be an overall focus on working capital, some industries are faring better than others. Sectors in which DWC performance improved include media (43 per cent decrease), life sciences tools and services (19 per cent decrease), food products (16 per cent decrease), automobiles (16 per cent decrease), and oil, gas and consumables fuels (14 per cent decrease). This sharply contrasts with the DWC increases in marine (62 per cent), transportation infrastructure (39 per cent), computers and peripherals (22 per cent) and semiconductors and semiconductor equipment (9 per cent) (Figure 6).

For the bottom 10 industries, the factors that lead the top 10 performing industries to focus on working capital have less impact. For these industries, there is less growth, less squeeze on profit, less of an increase in costs and a greater taking on of debt (Figure 7).

Component performance in 2012

Not all the individual components of working capital efficiency improved in 2012. While DSO and DIO did improve, DPO lost ground.

Receivables:

DSO is at its lowest point in the last 10 years, falling to 47 days in the 2012 survey, down from



50 days in 2011 (Figure 8). The 2012 results represent considerable momentum in the right direction since the ten-year high of 55 days was established in 2005. Nevertheless, this improvement is attributable to the widening gap between top performers and the rest of the companies in the survey. Working capital opportunity for DSO is higher than other DWC components because of this broadening performance gulf. Upper-quartile companies that have benefited from DSO improvements have set the bar high for all others.

Figure 7: Key performance trends for top and bottom industries based on year-over-year (YoY) working capital performance

YoY average change	Top 10 industries	Bottom 10 industries	Desired trend
DWC	-14% ↓	+8% ↑	↓
DSO	-9% ↓	+6% ↑	↓
DIO	-9% ↓	+9% ↑	↓
DPO	-3% ↑	+5% ↑	↑
Revenue	+6% ↑	+3% ↑	↑
NWC as a % of revenue	-14% ↓	+8% ↑	↓
EBITDA	-6% ↓	-3% ↓	↑
Operating expenses	+8% ↑	+3% ↑	↓
Free cash flow	-57% ↓	+3% ↑	↑
Cash on hand	+9% ↑	+7% ↑	↑
Total debt	+4% ↑	+14% ↑	↓

Figure 8: Days sales outstanding

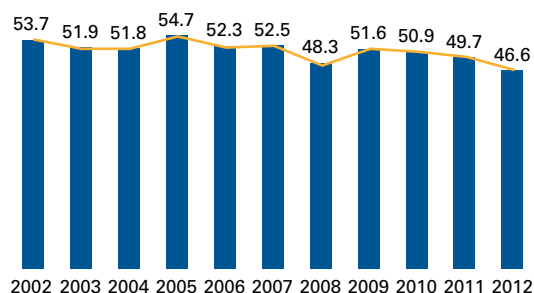


Figure 9: Days inventory outstanding

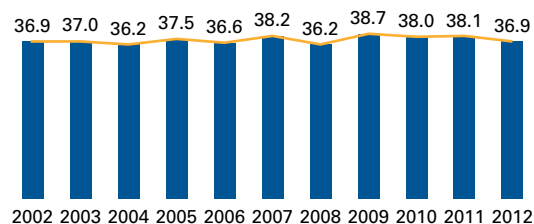


Figure 10: Days payables outstanding

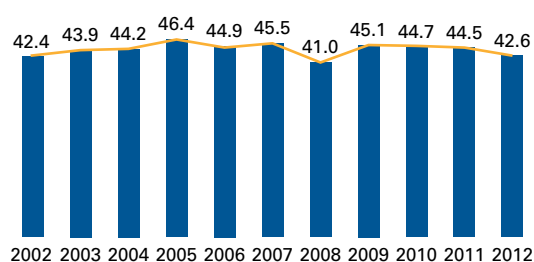


Figure 11: Country working capital performance

Country medians	DWC 2012	DSO 2012	DIO 2012	DPO 2012
Austria	73	48	50	35
Switzerland	68	56	43	31
Sweden	67	53	56	30
Denmark	64	53	40	35
Finland	61	50	47	27
Germany	60	48	47	33
Norway	56	52	31	29
Netherlands	54	49	32	30
France	47	61	33	50
Ireland	47	52	32	30
Luxembourg	44	41	7	30
Belgium	42	41	37	35
Italy	41	68	41	71
United Kingdom	40	40	27	31
Portugal	28	61	12	58
Greece	25	44	25	33
Spain	19	59	19	69

Inventory:

DIO for the survey decreased from 38 days in 2011 to 37 days in 2012. This approaches the level of DIO seen during the first year of the recession, when DIO reached a ten-year low of 36 days (Figure 9). Since 2009, when DIO crested at 39 days, it has been on a downward path, a reaction, in part, to the need to recover from the post-recession peak. Companies focused more on inventory and took advantage of quick wins. Additionally, some organisations reacted to the uncertain European economic situation by putting the brakes on production. As the economy improves, production should accelerate. Companies must therefore maintain their focus on sustainable DIO improvements, extending their activities beyond quick fixes.

Payables:

DPO fell to 43 days in 2012 from 45 days in 2011. This is the fourth consecutive year that DPO has declined, although the 41 days reached in 2008 represents the 10-year low (Figure 10). Nevertheless, the 2012 figure marks a significant decline from the 10-year high of 46 days reached in 2005. The figures suggest pressure on supplier payment terms, however. Traditionally, a quick working capital win is to extend supplier payment terms or delay and/or not pay. It appears that this option is no longer as readily available due in part to improving collection practices and perhaps the influence of preparing



for the EU Directive on Late Payments that went into effect in March 2013. The rule requires enterprises to pay their invoices within 60 days, unless they expressly agree otherwise and if it "is not grossly unfair to the creditor".

How European countries are managing working capital

On a country-by-country basis, Austria and Switzerland were at the higher end of DWC performance relative to the rest of the region, with Germany and the Nordic countries following closely behind (Figure 11). A factor in these high figures is that Germany and Austria have significant inventory in the pipeline. In Portugal, Italy and Spain, where higher payment terms and longer supplier terms are more acceptable, DWC was comparatively favourable – 28 days, 41 days and 19 days, respectively.

Strategic implications

Despite the marginal improvement in DWC in 2012, the survey indicates that substantial capital that can otherwise be conserved or invested in growth opportunities by many organisations is being lost because of inferior working capital practices. Working capital is the least expensive form of cash available to a business. To maintain superior working capital efficiency, companies need to strategically elevate and sustain working capital standards.

The benefits are profound, as there is a link between working capital performance and shareholder value. Improving working capital performance will release cash to the business. This factor alone should encourage organisations to maintain their focus on working capital in good times and bad.

COMPANY	COUNTRY	2012	DWC 1YR% CHANGE	2011	2012	DSO 1YR% CHANGE	2011	2012	DIO 1YR% CHANGE	2011	2012	DPO 1YR% CHANGE	2011
Aerospace and Defense Industry													
BAE Systems plc	UK	46	-4%	49	48	-11%	54	14	-2%	15	16	-21%	20
Chemring Group plc	UK	55	-34%	83	48	-22%	62	56	-24%	74	49	-7%	53
QinetiQ Group plc	UK	75	-1%	76	77	4%	74	8	-20%	10	10	19%	8
Rolls Royce Holdings plc	UK	141	0%	142	93	1%	91	82	-3%	84	33	-1%	34
Safran S.A.	FR	168	-9%	185	112	-14%	130	109	-7%	117	53	-14%	62
Dassault Aviation S.A.	FR	254	-13%	291	34	-9%	37	270	-13%	309	50	-11%	56
Median Performance		112	-5%	117	78	-4%	81	67	-7%	72	36	-2%	37
Air Freight and Logistics Industry													
Logwin AG	LU	(3)	-2027%	(0)	41	0%	41	1	8%	1	45	6%	42
Wincanton plc	UK	(0)	-103%	10	28	-63%	75	2	-28%	3	30	-55%	68
Oesterreichische Post AG	AT	8	-28%	11	40	2%	40	2	11%	2	35	12%	31
PostNL NV	NL	18	0%	18	36	3%	35	1	-1%	1	20	6%	19
Panalpina World Transport Holding Ltd.	SZ	30	13%	27	62	3%	60	NM	NM	NM	32	-4%	33
TNT Express NV	NL	30	-14%	35	52	-8%	57	1	-14%	1	22	1%	22
Median Performance		10	-9%	11	41	-13%	47	1	-3%	1	32	-3%	32
Airlines Industry													
Vueling Airlines S.A.	ES	(11)	-9%	(10)	16	-6%	17	NM	NM	0	28	-1%	28
Ryanair Holdings plc	IE	(11)	-8%	(10)	4	-16%	5	0	-14%	0	15	-1%	15
International Consolidated Airlines Group S.A.	UK	(8)	-15%	(7)	23	-13%	27	8	-8%	9	39	-7%	42
Finnair Oyj	FI	10	-41%	17	18	-4%	19	3	-68%	8	10	8%	10
Air Berlin plc & Co. Luftverkehrs KG	DE	12	164%	4	16	44%	11	4	7%	4	8	-22%	10
Flybe Group plc	UK	19	54%	12	29	39%	21	4	10%	4	14	15%	12
Median Performance		3	-35%	4	20	1%	20	4	4%	4	16	-2%	16
Auto Components Industry													
Cie Automotive S.A.	ES	(11)	11%	(12)	36	18%	31	42	13%	37	89	11%	80
Faurecia S.A.	FR	1	116%	(6)	36	-2%	37	23	15%	20	58	-7%	62
Valeo S.A.	FR	3	-32%	4	47	-18%	57	24	-5%	26	69	-13%	79
Compagnie Generale DES Etablissements Michelin SCA	FR	89	-11%	100	48	-12%	54	75	-7%	81	34	-5%	36
ElringKlinger AG	DE	116	-3%	120	60	-9%	66	74	-3%	76	19	-18%	23
Nokian Renkaat Oyj	FI	144	-2%	147	90	2%	88	71	-12%	81	17	-23%	22
Median Performance		41	5%	39	48	-15%	56	37	0%	37	54	-2%	55
Automobiles Industry													
Piaggio & C. SpA	IT	(28)	-61%	(18)	16	4%	16	57	1%	57	102	13%	90
Fiat SpA	IT	(20)	31%	(29)	12	-27%	16	41	-28%	56	72	-28%	101
Renault S.A.	FR	(14)	-223%	(4)	11	-7%	11	36	-9%	40	61	10%	56
Volkswagen AG	DE	49	-17%	59	21	-21%	27	61	-14%	71	33	-16%	39
Daimler AG	DE	53	-1%	54	24	-10%	27	57	-3%	59	27	-14%	32
Hymer AG	DE	87	-3%	89	34	2%	33	67	-4%	70	14	-2%	14
Median Performance		7	-55%	16	17	-31%	24	57	-1%	58	47	-1%	47

*For the purpose of the study companies that securitise their receivables have had the value of securitised receivables added back to the overall receivables figure.
 NM (not meaningful): If DWC moved from a positive to a negative number, or vice versa.

COMPANY	COUNTRY	2012	DWC 1YR% CHANGE	2011	2012	DSO 1YR% CHANGE	2011	2012	DIO 1YR% CHANGE	2011	2012	DPO 1YR% CHANGE	2011
Beverages Industry													
Anheuser-Busch InBev S.A./NV	BE	(30)	-19%	(25)	25	4%	24	23	0%	23	78	8%	72
Carlsberg A/S	DE	3	-59%	7	43	-6%	45	25	-1%	25	64	2%	63
Britvic plc	UK	15	-16%	17	60	2%	59	21	-14%	25	67	1%	67
Diageo plc	UK	157	7%	146	59	8%	55	134	5%	128	37	1%	36
Pernod-Ricard S.A.	FR	199	0%	199	57	-2%	58	191	3%	185	49	10%	45
Rémy Cointreau S.A.	FR	240	2%	237	57	-10%	63	282	0%	281	99	-9%	108
Median Performance		36	-5%	37	51	-3%	52	30	0%	30	52	11%	46
Building Products Industry													
Uralita S.A.	ES	26	-27%	36	41	-24%	54	31	12%	28	46	0%	46
Compagnie de Saint-Gobain	FR	42	-16%	50	42	-8%	46	52	-8%	56	52	0%	52
Rockwool International A/S	DE	43	5%	41	37	-8%	40	31	7%	29	26	-11%	29
Zehnder Group AG	SZ	87	-7%	94	60	-7%	64	47	-1%	47	19	8%	18
Villeroy & Boch AG	DE	97	4%	94	53	2%	52	74	3%	72	30	-1%	30
Wienerberger AG	AT	100	6%	95	31	49%	21	109	-1%	110	39	9%	36
Median Performance		64	-1%	65	42	-12%	48	47	-6%	50	30	2%	29
Chemicals Industry													
Ercros S.A.	ES	21	-33%	32	72	-3%	74	41	5%	39	91	12%	82
Hexpol AB (Publ)	SE	25	-8%	27	31	-16%	36	24	1%	24	30	-10%	34
Johnson Matthey plc	UK	30	-19%	37	21	-25%	28	19	-6%	20	10	-9%	11
K+S AG	DE	108	14%	95	71	-16%	85	64	-4%	67	27	-52%	56
Symrise AG	DE	109	-3%	112	64	-5%	67	73	1%	72	28	3%	27
Syngenta AG	SZ	116	4%	111	82	9%	75	122	6%	115	88	11%	79
Median Performance		67	-6%	71	49	-3%	51	51	-4%	53	31	-3%	32
Commercial Services and Supplies Industry													
May Gurney Integrated Services plc	UK	8	-44%	15	53	-16%	63	2	-16%	3	47	-8%	51
Shanks Group plc	UK	13	-31%	18	53	-19%	66	5	1%	5	46	-13%	52
Derichebourg	FR	19	-34%	29	44	-21%	56	10	13%	9	35	-3%	36
Kaba Holding AG	SZ	105	1%	104	64	5%	60	61	-2%	63	20	6%	19
Tomra Systems ASA	NO	120	6%	113	76	6%	72	71	14%	62	26	30%	20
Societe BIC S.A.	FR	135	-3%	139	79	0%	79	78	-5%	82	22	-3%	22
Median Performance		46	4%	44	57	-11%	64	10	-15%	12	25	-4%	26
Computers and Peripherals Industry													
Bull S.A.	FR	16	38%	12	56	13%	50	23	10%	20	63	7%	59
Seagate Technology plc	IE	23	128%	10	57	14%	50	22	-23%	29	56	-19%	69
Logitech International S.A.	SZ	35	-7%	37	35	-12%	40	47	8%	43	47	3%	46
Wincor Nixdorf AG	DE	68	28%	53	67	10%	61	49	18%	42	48	-3%	50
Xyratex Ltd.	UK	70	42%	49	42	-17%	51	54	31%	41	26	-39%	43
Gemalto NV	NL	82	5%	78	86	6%	81	30	-4%	31	34	-1%	34
Median Performance		51	18%	43	56	12%	50	38	6%	36	48	0%	48

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COMPANY	COUNTRY	2012	DWC 1YR% CHANGE	2011	2012	DSO 1YR% CHANGE	2011	2012	DIO 1YR% CHANGE	2011	2012	DPO 1YR% CHANGE	2011
Construction and Engineering Industry													
Abengoa S.A.	ES	(97)	-4%	(93)	44	-8%	48	19	5%	18	160	0%	159
ELLAKTOR S.A.	GR	(93)	-10%	(84)	136	20%	113	13	45%	9	241	17%	206
Ferrovial S.A.	ES	(29)	18%	(35)	78	-23%	102	19	-11%	21	126	-20%	158
GEK TERNA Holdings, Real Estate, Construction S.A.	GR	214	27%	168	266	21%	219	66	22%	54	118	13%	105
SRV Group plc	FI	287	33%	216	58	64%	35	245	25%	196	16	5%	15
Grupo Empresarial San Jose S.A.	ES	618	0%	618	194	-12%	221	628	3%	612	203	-5%	214
Median Performance		83	4%	80	90	1%	89	23	-1%	23	45	0%	45
Construction Materials Industry													
Cementos Portland Valderrivas S.A.	ES	32	-7%	34	9	-28%	13	65	22%	53	43	32%	33
Lafarge S.A.	FR	33	4%	32	41	-4%	42	38	5%	37	46	-2%	47
Holcim Ltd.	SZ	38	7%	36	41	-2%	41	35	-6%	37	37	-12%	42
Imerys S.A.	FR	74	-8%	81	48	-8%	52	61	-5%	64	35	-1%	36
Titan Cement Company S.A.	GR	83	-4%	87	41	5%	39	75	-7%	81	33	-2%	34
RHI AG	AT	101	-3%	104	53	-11%	59	84	-5%	89	36	-17%	44
Median Performance		61	3%	59	41	-4%	42	56	4%	53	36	-5%	38
Containers and Packaging Industry													
Papeles y Cartones de Europa S.A.	ES	(21)	-2%	(21)	21	16%	18	38	-1%	39	80	4%	77
DS Smith plc	UK	24	-58%	57	48	-44%	85	27	-42%	47	52	-32%	75
RPC Group plc	UK	33	-27%	46	55	-29%	77	47	-28%	65	68	-30%	97
Huhtamaki Oyj	FI	59	-1%	60	47	-11%	53	50	-3%	52	38	-15%	44
Mayr-Melnhof Karton AG	AT	67	8%	62	47	8%	44	49	7%	46	29	6%	27
BillerudKorsnäs AB (publ)	SE	101	96%	52	79	45%	54	110	148%	44	88	87%	47
Median Performance		43	-8%	47	47	-11%	53	47	3%	46	46	2%	46
Diversified Telecommunication Services Industry													
Iliad S.A.	FR	(62)	12%	(71)	26	43%	18	4	-20%	5	92	-2%	94
BT Group plc	UK	(27)	-10%	(25)	34	5%	32	2	-9%	2	63	7%	59
Vivendi S.A.	FR	(21)	-21%	(18)	52	-8%	57	9	-9%	10	83	-2%	85
PT Telecom SGPS S.A.	PT	39	-13%	45	84	-13%	96	8	-1%	8	52	-11%	59
Swisscom AG	SZ	40	-13%	46	90	-4%	94	5	12%	5	55	5%	52
Elisa Oyj	FI	51	29%	39	66	1%	65	14	46%	10	30	-17%	36
Median Performance		6	-10%	7	48	7%	45	6	9%	5	50	-4%	52
Electric Utilities Industry													
Red Eléctrica Corporación S.A.	ES	(36)	11%	(41)	3	-48%	5	11	11%	10	50	-11%	56
Hafslund ASA	NO	(34)	0%	(34)	26	26%	21	3	61%	2	63	12%	57
Endesa S.A.	ES	(8)	-1064%	1	46	-3%	48	15	0%	15	69	11%	61
Centralschweizerische Kraftwerke AG	SZ	54	-8%	58	51	-42%	89	11	12%	10	9	-78%	40
Public Power Corporation S.A.	GR	82	-2%	84	81	24%	65	52	-7%	56	50	36%	37
Electricite de FR S.A.	FR	111	-5%	116	113	-3%	117	71	-6%	76	73	-4%	76
Median Performance		28	44%	19	58	4%	55	11	11%	10	50	1%	49

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COMPANY	COUNTRY	2012	DWC 1YR% CHANGE	2011	2012	DSO 1YR% CHANGE	2011	2012	DIO 1YR% CHANGE	2011	2012	DPO 1YR% CHANGE	2011
Electrical Equipment Industry													
PKC Group Oyj	FI	38	-54%	82	33	-52%	69	34	-53%	73	30	-51%	60
Gamesa Corporación Tecnológica S.A.	ES	43	-66%	127	223	-2%	228	81	-40%	136	261	10%	236
Prysmian SpA	IT	43	-2%	44	69	2%	68	41	-7%	45	67	-1%	68
Huber & Suhner AG	SZ	140	13%	124	81	35%	60	85	3%	82	26	37%	19
SGL Carbon SE	DE	146	2%	143	68	4%	65	114	-6%	120	36	-16%	43
Alstom S.A.	FR	156	14%	136	173	16%	149	57	-2%	59	75	5%	71
Median Performance		92	-7%	99	75	10%	68	57	-1%	58	45	-5%	47
Electronic Equipment, Instruments and Components Industry													
ALSO Holding AG	SZ	24	20%	20	35	11%	31	26	2%	26	37	0%	37
TT Electronics plc	UK	52	-23%	68	39	-22%	49	52	-13%	60	39	-7%	41
AT&S AT Technologie & Systemtechnik AG	AT	57	34%	43	60	13%	53	46	15%	40	49	-3%	50
Premier Farnell plc	UK	102	1%	101	46	0%	46	80	2%	79	24	0%	24
Kapsch TrafficCom AG	AT	141	7%	132	147	-4%	154	32	-30%	46	39	-43%	68
Jenoptik AG	DE	144	-4%	150	64	1%	64	106	-7%	114	25	-5%	27
Median Performance		79	-12%	90	60	-5%	63	49	-2%	50	37	-3%	39
Energy Equipment and Services Industry													
Tecnicas Reunidas S.A.	ES	(7)	75%	(27)	219	-1%	221	4	22%	3	230	-9%	251
Technip	FR	(3)	58%	(7)	77	-23%	99	13	-3%	14	93	-22%	120
Ocean Rig UDW Inc.	CY	36	-29%	50	58	-10%	64	5	-5%	6	27	39%	19
Hunting plc	UK	142	-28%	198	65	-31%	94	106	-23%	138	29	-15%	34
SBM Offshore NV	NL	156	32%	119	175	20%	145	2	-38%	3	20	-32%	30
Fugro NV	NL	183	1%	182	125	-11%	141	81	13%	72	23	-25%	31
Median Performance		64	-4%	67	77	-12%	88	19	-19%	24	30	-13%	34
Food and Staples Retailing Industry													
Jeronimo Martins SGPS S.A.	PT	(45)	-7%	(43)	3	-2%	3	17	15%	14	65	8%	60
METRO AG	DE	(33)	0%	(34)	3	2%	3	37	-11%	42	74	-6%	79
Distribuidora Internacional de Alimentación S.A.	ES	(31)	7%	(34)	7	-10%	7	19	-3%	20	57	-6%	61
Kesko Oyj	FI	27	2%	27	27	-2%	28	31	-8%	33	30	-11%	34
MARR SpA	IT	60	1%	59	111	3%	108	29	2%	29	80	3%	78
Amsterdam Commodities NV	NL	89	-16%	106	37	-17%	45	72	-11%	81	21	2%	20
Median Performance		(5)	-16%	(4)	9	7%	9	25	3%	25	36	1%	36
Food Products Industry													
Greencore Group plc	IE	(15)	-3%	(14)	24	-26%	33	17	-25%	23	56	-20%	70
Campofrio Food Group S.A.	ES	(13)	-275%	(3)	30	-15%	35	64	-3%	66	107	2%	105
Danone	FR	1	-85%	6	33	-11%	37	19	-4%	20	51	1%	51
Viscofan S.A.	ES	143	2%	140	64	-4%	67	95	1%	95	17	-21%	22
Vilmorin & Cie S.A.	FR	144	1%	143	108	1%	107	85	-4%	89	49	-7%	53
Austevoll Seafood ASA	NO	161	NM	NM	54	NM	NM	107	NM	NM	NM	NM	NM
Median Performance		54	-7%	59	43	-4%	45	52	-3%	53	39	2%	38

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COMPANY	COUNTRY	2012	DWC 1YR% CHANGE	2011	2012	DSO 1YR% CHANGE	2011	2012	DIO 1YR% CHANGE	2011	2012	DPO 1YR% CHANGE	2011
Healthcare Equipment and Supplies Industry													
Nobel Biocare Holding AG	SZ	56	-21%	72	56	-16%	66	13	-16%	15	12	22%	10
Straumann Holding AG	SZ	75	2%	74	52	-1%	53	34	-4%	35	11	-23%	14
GN Store Nord A/S	DE	78	-11%	87	79	-5%	83	28	-24%	36	28	-11%	32
Carl Zeiss Meditec AG	DE	121	-10%	135	76	-10%	84	61	-6%	64	16	11%	14
Drägerwerk AG & Co. KGaA	DE	122	0%	122	92	-3%	95	56	1%	55	26	-7%	28
Getinge AB	SE	125	-8%	136	93	-11%	104	61	-5%	64	29	-11%	32
Median Performance		98	-2%	100	75	1%	75	55	9%	50	21	-8%	23
Healthcare Providers and Services Industry													
Oriola-KD Corporation	FI	(16)	-12%	(14)	52	8%	48	57	-11%	65	126	-1%	127
Amplifon SpA	IT	20	8%	19	48	4%	46	15	-4%	15	42	-1%	43
Celesio AG	DE	24	-10%	26	34	-18%	42	26	-12%	30	37	-18%	45
United Drug plc	IE	39	6%	36	56	7%	52	32	6%	30	49	7%	46
Fresenius SE & Co KGaA	DE	83	-7%	90	70	-4%	73	35	-9%	38	21	0%	21
Fresenius Medical Care AG & Co. KGAA	DE	89	-3%	92	82	-1%	83	27	-3%	28	19	4%	19
Median Performance		35	-3%	36	52	8%	48	27	-9%	30	37	-16%	43
Hotels, Restaurants and Leisure Industry													
Whitbread plc	UK	(51)	-6%	(48)	10	-14%	11	5	13%	4	66	3%	64
TUI AG	DE	(49)	-5%	(47)	14	5%	13	2	2%	2	65	5%	62
Thomas Cook Group plc	UK	(34)	-27%	(26)	12	-13%	14	1	-19%	1	47	12%	42
Pierre & Vacances S.A.	FR	33	-38%	53	54	-29%	77	55	36%	40	76	19%	64
Intercontinental Hotels Group plc	UK	46	26%	37	68	11%	62	1	-4%	1	23	-11%	26
Millennium & Copthorne Hotels plc	UK	89	20%	75	15	-7%	16	84	24%	68	10	4%	9
Industry Median Performance		(3)	-184%	(1)	15	-8%	16	5	-7%	6	28	-8%	30
Household Durables Industry													
Indesit Company SpA	IT	2	-67%	5	59	3%	57	42	1%	42	99	6%	93
Kaufman & Broad S.A.	FR	28	-39%	46	95	-11%	107	101	22%	82	168	17%	143
Nobia AB	SE	30	-7%	32	28	-17%	34	27	-2%	28	25	-14%	29
Redrow plc	UK	473	17%	404	16	-26%	22	540	19%	454	83	17%	71
Bellway plc	UK	489	-2%	501	8	-30%	11	509	-3%	523	28	-16%	33
The Berkeley Group Holdings plc	UK	557	-21%	702	37	-5%	39	649	-18%	793	130	0%	130
Median Performance		99	-8%	108	42	-4%	44	95	16%	82	46	-4%	47
Industrial Conglomerates Industry													
DCC plc	IE	9	-22%	11	41	2%	40	12	11%	10	44	11%	39
Carr's Milling Industries plc	UK	39	-5%	41	50	-5%	52	25	10%	22	35	6%	33
Aktieselskabet Schouw & Co.	DE	64	-21%	81	74	0%	74	52	-15%	61	61	13%	54
Rheinmetall AG	DE	92	-2%	94	80	-5%	84	62	-4%	64	50	-8%	55
Smiths Group plc	UK	99	-4%	104	70	-4%	72	53	-5%	56	23	-4%	24
Siemens AG	DE	107	-4%	111	71	-4%	74	73	-3%	75	37	-2%	38
Median Performance		80	-6%	85	67	-8%	73	52	-13%	60	40	2%	39

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BEST WORST

COMPANY	COUNTRY	2012	DWC 1YR% CHANGE	2011	2012	DSO 1YR% CHANGE	2011	2012	DIO 1YR% CHANGE	2011	2012	DPO 1YR% CHANGE	2011
Internet and Catalogue Retail Industry													
Ocado Group plc	UK	(19)	-23%	(15)	4	-39%	7	9	8%	9	32	4%	31
ASOS plc	UK	40	-14%	47	2	85%	1	66	-7%	71	28	10%	25
Home Retail Group plc	UK	62	-3%	64	32	2%	32	61	-4%	63	31	0%	31
Manutan International S.A.	FR	65	11%	58	81	0%	81	22	6%	21	38	-12%	43
Findel plc	UK	141	0%	141	125	6%	119	44	-9%	48	28	10%	26
N Brown Group plc	UK	253	1%	251	243	1%	241	40	1%	40	30	-1%	30
Median Performance		64	4%	61	57	1%	56	42	-4%	44	30	0%	31
IT Services Industry													
Amadeus IT Holding S.A.	ES	(38)	-13%	(34)	22	-19%	27	NM	NM	NM	60	-1%	61
Xchanging plc	UK	11	37%	8	27	5%	26	0	-51%	0	16	-10%	17
Cancom SE	DE	14	36%	10	58	19%	49	6	-43%	10	50	3%	49
Groupe Steria SCA	FR	66	-8%	71	94	-8%	102	2	-9%	2	30	-9%	33
Altran Technologies S.A.	FR	92	-1%	93	110	1%	109	0	-36%	0	18	10%	16
Engineering Ingegneria Informatica SpA	IT	219	8%	204	320	2%	315	0	-34%	0	101	-9%	111
Median Performance		42	-11%	46	74	8%	69	2	-9%	2	31	-9%	34
Machinery Industry													
AB Volvo	SE	25	33%	19	33	1%	33	49	-7%	52	57	-15%	66
Deutz AG	DE	41	10%	37	34	-21%	42	52	16%	45	45	-10%	50
Bodycote plc	UK	47	7%	44	57	-2%	59	11	7%	11	22	-14%	25
CNH Global NV	NL	196	2%	192	179	0%	178	70	-5%	74	53	-11%	60
Danieli & C. Officine Meccaniche SpA	IT	217	45%	150	198	30%	153	156	55%	101	137	33%	103
Fiat Industrial SpA	IT	233	2%	229	233	1%	232	69	-6%	73	68	-10%	76
Median Performance		93	-1%	94	64	-8%	69	63	-6%	67	33	-10%	36
Marine Industry													
A.P. Møller - Mærsk A/S	DE	9	711%	1	33	15%	29	14	-4%	15	38	-10%	42
DFDS A/S	DE	21	30%	16	49	9%	45	5	3%	5	33	-2%	34
Dampskibsselskabet Norden A/S	DE	21	86%	11	22	19%	19	19	32%	14	20	-8%	22
Finnlines Oyj	FI	28	81%	15	35	-3%	36	6	9%	5	13	-49%	26
Kuehne + Nagel International AG	SZ	30	4%	29	52	1%	51	7	5%	6	29	-1%	29
Wilh. Wilhelmsen Holding ASA	NO	39	5%	37	60	8%	55	31	-7%	33	52	0%	52
Median Performance		24	9%	22	42	4%	41	8	19%	7	31	11%	28
Media Industry													
Antena 3 de Television S.A.	ES	(86)	-182%	(31)	84	-12%	95	1	22%	1	172	35%	127
Societe d'Edition de Canal Plus S.A.	FR	(77)	-194%	(26)	22	-24%	28	NM	NM	44	99	-1%	99
Daily Mail and General Trust plc	UK	(62)	-262%	38	69	45%	47	6	23%	5	137	888%	14
GfK SE	DE	76	8%	70	97	9%	88	NM	NM	NM	21	14%	18
Hibu plc	UK	93	-44%	166	105	-20%	132	3	-94%	46	15	32%	11
PagesJaunes Groupe	FR	121	6%	115	147	1%	146	1	53%	1	27	-14%	31
Median Performance		11	7%	10	61	12%	55	4	-4%	4	38	-1%	38

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Metals and Mining Industry													
Vedanta Resources plc	UK	(24)	-72%	(14)	24	-5%	25	44	-28%	61	92	-8%	100
BHP Billiton plc	UK	11	-60%	28	24	-23%	31	31	1%	31	44	30%	34
Acerinox S.A.	ES	31	-55%	68	30	-17%	37	69	-20%	87	69	24%	55
Randgold Resources Limited	CI	144	43%	100	79	86%	42	81	14%	71	16	27%	12
Outokumpu Oyj	FI	157	55%	101	69	44%	48	186	102%	92	97	153%	38
Tubacex S.A.	ES	202	-2%	207	80	-9%	88	159	2%	155	37	3%	36
Median Performance		79	1%	78	33	-9%	36	81	3%	78	34	1%	34
Multi-Utilities Industry													
National Grid plc	UK	(7)	7%	(7)	25	-17%	30	9	29%	7	40	-8%	44
Telecom Plus plc	UK	5	-34%	8	7	-25%	9	0	16%	0	2	29%	1
Gelsenwasser AG	DE	16	-62%	41	40	-39%	65	12	-1%	12	36	0%	36
E.ON SE	DE	43	-27%	58	45	-24%	58	13	-16%	16	15	-4%	16
Veolia Environnement S.A.	FR	45	-20%	56	94	-13%	108	13	-3%	13	62	-5%	66
GDF Suez S.A.	FR	48	-1%	48	95	1%	94	20	-7%	22	68	0%	68
Median Performance		33	-20%	41	47	-17%	57	10	4%	10	38	-5%	40
Oil, Gas and Consumable Fuels Industry													
Hellenic Petroleum S.A.	GR	(1)	-119%	8	18	-18%	22	43	-5%	45	62	5%	59
ERG SpA	IT	8	-28%	10	33	-15%	39	8	-49%	17	34	-25%	45
Zhaikmunai LP	IM	10	115%	(66)	27	74%	15	12	-30%	18	29	-71%	99
VERBIO Vereinigte BioEnergie AG	DE	44	-50%	87	33	2%	32	32	-62%	84	21	-29%	30
Repsol S.A.	ES	50	-32%	74	43	-23%	56	34	-35%	52	27	-21%	34
Tullow Oil plc	UK	55	-16%	65	37	-14%	43	25	-29%	36	8	-42%	14
Median Performance		29	-17%	35	33	-15%	39	25	-5%	26	28	-16%	33
Paper and Forest Products Industry													
ENCE Energia y Celulosa S.A.	ES	19	-35%	30	59	14%	52	39	-22%	50	78	9%	72
Sonae Indústria SGPS S.A.	PT	26	-29%	36	39	-9%	42	36	-3%	37	49	13%	43
Ahlstrom Oyj	FI	27	-24%	35	57	-34%	86	41	-39%	66	71	-39%	117
Holmen AB (publ)	SE	67	4%	64	47	1%	46	66	-5%	70	46	-12%	52
Mondi plc	UK	67	21%	55	53	20%	44	49	21%	41	35	19%	29
Metsa Board Oyj	FI	71	8%	66	46	9%	42	52	7%	49	27	9%	25
Median Performance		59	3%	57	47	1%	46	48	-3%	50	36	6%	34
Pharmaceuticals Industry													
Almirall S.A.	ES	(4)	-132%	13	33	-11%	37	37	-4%	39	74	19%	62
Warner Chilcott plc	IE	41	-12%	47	28	-21%	36	17	-1%	18	4	-31%	6
Galenica Ltd.	SZ	51	10%	47	51	-5%	54	35	-2%	36	35	-19%	43
UCB S.A.	BE	112	4%	108	75	-6%	79	65	8%	60	28	-14%	32
Stada-Arzneimittel AG	DE	139	7%	129	98	3%	95	94	11%	85	53	5%	51
Hikma Pharmaceuticals plc	UK	150	-13%	172	97	-17%	116	90	-6%	95	36	-6%	39
Median Performance		76	-3%	78	66	-4%	69	47	0%	47	36	4%	35

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Professional Services Industry													
Harvey Nash Group plc	UK	21	-6%	22	54	-11%	60	NM	NM	NM	33	-14%	38
Hays plc	UK	23	-13%	27	35	-9%	39	NM	NM	NM	12	-2%	12
SThree plc	UK	25	2%	25	48	2%	47	NM	NM	NM	23	2%	22
SGS S.A.	SZ	70	0%	71	77	-3%	80	6	10%	6	13	-11%	15
Pöyry plc	FI	101	-18%	122	68	-18%	83	44	-18%	53	11	-19%	14
Bertrandt AG	DE	106	7%	100	112	5%	106	0	-14%	0	6	-13%	7
Median Performance		59	0%	59	67	-9%	73	1	-32%	1	12	-11%	13
Road and Rail Industry													
VTG AG	DE	(5)	27%	(7)	49	20%	40	10	15%	9	63	14%	56
Go-Ahead Group plc	UK	(1)	70%	(4)	15	18%	13	2	-7%	2	19	-5%	20
Stagecoach Group plc	UK	0	-87%	1	15	-12%	17	3	-23%	4	18	-11%	21
Firstgroup plc	UK	6	-41%	10	23	0%	23	5	-4%	5	22	22%	18
DSV A/S	DE	28	1%	28	64	-1%	64	NM	NM	NM	36	-2%	36
Northgate plc	UK	61	-10%	67	62	-18%	75	16	11%	15	17	-26%	23
Median Performance		1	66%	1	24	1%	24	4	-5%	5	22	-5%	23
Semiconductors and Semiconductor Equipment Industry													
CSR plc	UK	(16)	-197%	17	34	-21%	43	31	-40%	52	81	4%	78
Infineon Technologies AG	DE	40	47%	27	44	-5%	47	53	14%	46	57	-13%	66
NXP Semiconductors NV	NL	51	-2%	53	38	0%	38	60	11%	54	47	19%	40
Kontron AG	DE	91	-10%	102	73	-4%	77	67	-3%	69	49	12%	44
Renewable Energy Corporation ASA	NO	107	-27%	146	68	-17%	82	67	-26%	92	29	3%	28
ASML Holding NV	NL	196	42%	138	67	8%	62	143	37%	105	15	-49%	29
Median Performance		67	0%	67	44	-2%	45	59	8%	55	41	25%	30
Specialty Retail Industry													
Carpentright plc	UK	(12)	-77%	(7)	4	-31%	6	30	2%	29	45	9%	41
Industria de Diseno Textil S.A.	ES	(9)	33%	(14)	6	-3%	6	34	-5%	35	49	-12%	55
Dixons Retail plc	UK	5	-12%	5	9	-9%	10	39	-7%	42	43	-7%	46
Stern Groep NV	NL	66	-15%	77	9	16%	8	57	-19%	69	NM	NM	NM
Mekonomen AB	SE	77	-1%	78	33	-6%	36	81	1%	81	37	-1%	38
Mr. Bricolage S.A.	FR	86	11%	78	62	15%	53	102	3%	99	78	4%	74
Median Performance		38	6%	36	6	3%	6	58	-2%	59	32	-3%	33
Textiles, Apparel and Luxury Goods Industry													
Luxottica Group SpA	IT	38	-8%	42	36	-8%	39	38	-1%	38	35	-1%	36
Prada SpA	IT	51	-11%	57	38	-22%	49	54	7%	50	40	-3%	42
Burberry Group plc	UK	57	-7%	61	19	-13%	22	61	1%	60	23	12%	21
Pandora A/S	DE	112	-8%	122	52	5%	49	72	-18%	88	12	-24%	16
Compagnie Financiere Richemont S.A.	SZ	150	3%	145	20	-6%	21	151	2%	148	21	-10%	23
Swatch Group AG	SZ	241	7%	225	50	3%	48	206	4%	198	15	-31%	22
Median Performance		76	-2%	77	36	-8%	39	67	-18%	81	35	-13%	40

*For the purpose of the study companies that securitise their receivables have had the value of securitised receivables added back to the overall receivables figure.
 NM (not meaningful): If DWC moved from a positive to a negative number, or vice versa.

BEST WORST

COMPANY	COUNTRY	2012	DWC 1YR% CHANGE	2011	2012	DSO 1YR% CHANGE	2011	2012	DIO 1YR% CHANGE	2011	2012	DPO 1YR% CHANGE	2011
Trading Companies and Distributors Industry													
AerCap Holdings NV	NL	10	-44%	17	10	-28%	14	NM	NM	5	0	-81%	1
Ashtead Group plc	UK	14	-43%	24	48	-6%	51	4	-3%	4	38	23%	31
Grafton Group plc	IE	30	-9%	33	38	-5%	40	51	7%	48	60	7%	56
B&B Tools AB	SE	93	6%	87	55	0%	55	75	6%	71	37	-3%	38
Indutrade AB (publ)	SE	100	8%	93	61	7%	58	64	6%	61	26	0%	25
G&L Beijer AB	SE	126	-10%	139	72	-16%	85	90	-12%	102	35	-25%	47
Median Performance		45	-4%	47	48	-7%	51	44	2%	43	36	-6%	38
Transportation Infrastructure Industry													
Società Iniziative Autostradali e Servizi SpA	IT	(26)	-8%	(24)	9	-12%	11	9	-16%	10	44	-2%	45
Atlantia SpA	IT	(20)	45%	(36)	78	8%	72	4	2%	4	102	-9%	112
Flughafen Wien AG	AT	(13)	60%	(33)	25	21%	21	3	-3%	3	41	-27%	57
Flughafen Zuerich AG	SZ	33	-4%	34	44	-2%	45	4	1%	4	15	2%	15
BBA Aviation plc	UK	51	6%	49	44	11%	39	44	10%	40	36	18%	31
Ansaldo STS SpA	IT	200	1%	199	307	6%	289	38	-2%	39	145	12%	130
Median Performance		12	-6%	13	42	10%	38	4	2%	4	35	-1%	35
Wireless Telecommunication Services Industry													
VimpelCom Ltd.	NL	(30)	-4%	(29)	39	-19%	49	3	-35%	4	73	-12%	82
Vodafone Group Public Ltd. Co.	UK	(1)	-143%	3	31	-9%	34	4	-11%	4	36	0%	35
freenet AG	DE	8	-10%	9	50	5%	48	7	16%	6	49	9%	44
Millicom International Cellular S.A.	LU	12	15%	10	24	9%	22	7	17%	6	20	9%	18
Sonaecom S.G.P.S. S.A.	PT	29	W8%	27	87	3%	85	6	96%	3	64	5%	61
Tele2 AB (publ)	SE	35	5%	33	60	5%	58	4	-9%	4	29	2%	29
Median Performance		10	3%	10	45	7%	48	5	16%	4	42	5%	40

*For the purpose of the study companies that securitise their receivables have had the value of securitised receivables added back to the overall receivables figure.
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“REL hit the bull’s eye with a pragmatic, straightforward process that met our needs. Their professionals found real solutions that our team embraced and implemented with line of sight impact on our target KPI. These guys get the job done.”

Tim Wild,
 Vice President,
 Supply Chain
 Brunswick Boat Group

“REL brings in good professionals, who roll up their sleeves and start working with local teams to make things happen. They have a hands-on mentality and a no-nonsense approach. They are not like typical consultants who only give you plans to follow.”

Rens Blankers,
 Head of
 Shared Business Services Finance,
 Philips

Scorecard methodology

The REL working capital survey and scorecard calculates working capital performance based on the latest publicly available annual financial statements of the 1,000¹ largest listed non-financial companies with headquarters in Europe². The survey takes an industry-based approach to ranking companies according to the four key working capital metrics – days sales outstanding (DSO), days inventory on hand (DIO), days payables outstanding (DPO) and days working capital (DWC). 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 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.

Definitions and calculations

DAYS SALES OUTSTANDING (DSO)

$\text{Accounts Receivable} / (\text{Total Revenue} / 365)$

Year-end accounts 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 ON HAND (DIO)

$\text{Inventory} / (\text{Total Revenue} / 365)$

Inventory divided by one day of average revenue

A decrease in DIO represents an improvement, an increase a deterioration.

DAYS PAYABLES OUTSTANDING (DPO)

$\text{Accounts Payable} / (\text{Total Revenue} / 365)$

Year-end accounts payable divided by one day of average revenue

An increase in DPO represents an improvement, a decrease a deterioration.

DAYS WORKING CAPITAL (DWC)

$(\text{Accounts Receivable} + \text{Inventory} - \text{Accounts Payable}) / (\text{Total Revenue} / 365)$

Year-end net working capital (accounts receivable + inventory - accounts payable) divided by one day of average revenue

The lower the number of days, the better. The percentage change is marked NM (not meaningful) if DWC moved from a positive to a negative number or vice versa. Where the change in DWC is negative, this represents an improvement, while a positive DWC change represents a deterioration.

¹ REL targets the 1,000 largest (by revenue) publicly traded companies in Europe for inclusion in the survey. To be included in the survey the companies must file their FY2012 financials before the survey closes. This year, the survey included 821 companies. For ease of reference the data set is referred to as REL1000.

² The following European countries are included in the survey: Austria, Belgium, Channel Islands, Cyprus, Denmark, Finland, France, Germany, Greece, Ireland, Isle of Man, Italy, Luxembourg, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, United Kingdom.



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About REL

REL, a division of The Hackett Group, Inc. (NASDAQ: HCKT), is a world-leading consulting firm dedicated to delivering sustainable cash flow improvement from working capital and across business operations. REL's tailored solutions balance client trade-offs between working capital, operating costs, service performance and risk. REL's expertise has helped clients free up billions in cash, creating the financial freedom to fund acquisitions, product development, debt reduction and share buy-back programs. In-depth process expertise, analytical rigour and collaborative client relationships enable REL to deliver an exceptional return on investment in a short timeframe. REL has delivered work in over 60 countries for Global 1000 companies. More information on REL is available by phone at **+44 20 7398 9100**; by e-mail at **info@relconsultancy.com**

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