

**SIDMA S.A.**  
S T E E L   P R O D U C T S



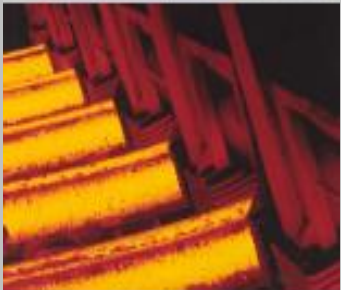
***The Changing Role of the CFO: Responding  
to Fiscal Challenges***  
**11 February 2014**



# SIDMA S.A. at a glance



## Producer



## SIDMA S.A.

**Products:** Flat, Long,  
Wire Products & Panels.

**Services:** Slitting & Cutting, Shot  
blasting & Painting, Polishing, Plasma &  
Oxygen cutting.

- ❑ Listed Company in ASE
- ❑ Leading steel distributor in the Greek  
and Balkan markets combined.
- ❑ Distribution network with 6 warehouses  
in Greece and the Balkans.
- ❑ 250 employees.
- ❑ FY 2013 Sales ≈ € 150 million

## Customer

**Construction:**

- Building and civil  
engineering

**Merchants:**

- Retail

**Manufacturing :**

- Machinery
- White Appliances
- Mechanical  
Engineering

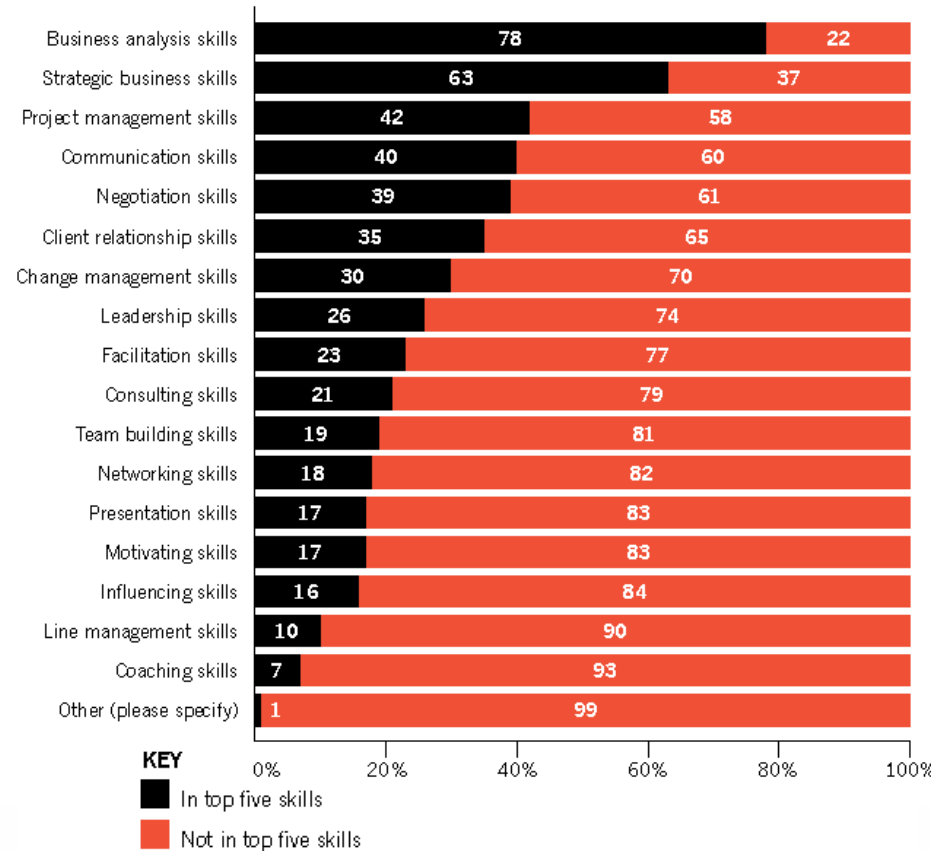
**Others:**

- Public Sector
- Metal products
- Shipbuilding
- Etc.

# The changing role/skills of the CFO

- CFOs have an increasingly personal stake in **regulatory** adherence.
- Finance needs to work effectively on the global stage and **embrace diversity**.
- Technology can help reconfigure finance processes and **deliver business insight**.
- As the nature of risk changes, CFOs have a role in ensuring an appropriate corporate ethos.
- CFOs must **transform finance functions**, providing better service at zero cost impact.
- **Stakeholder management** and **relationships** will become increasingly important going forward.
- CFOs' **analytical skills** will be increasingly called on in **strategy validation** and **execution**.
- **Reporting** requirements will broaden and remain burdensome.
- A brighter spotlight will be shone on talent, capability and behaviours in the top finance role.

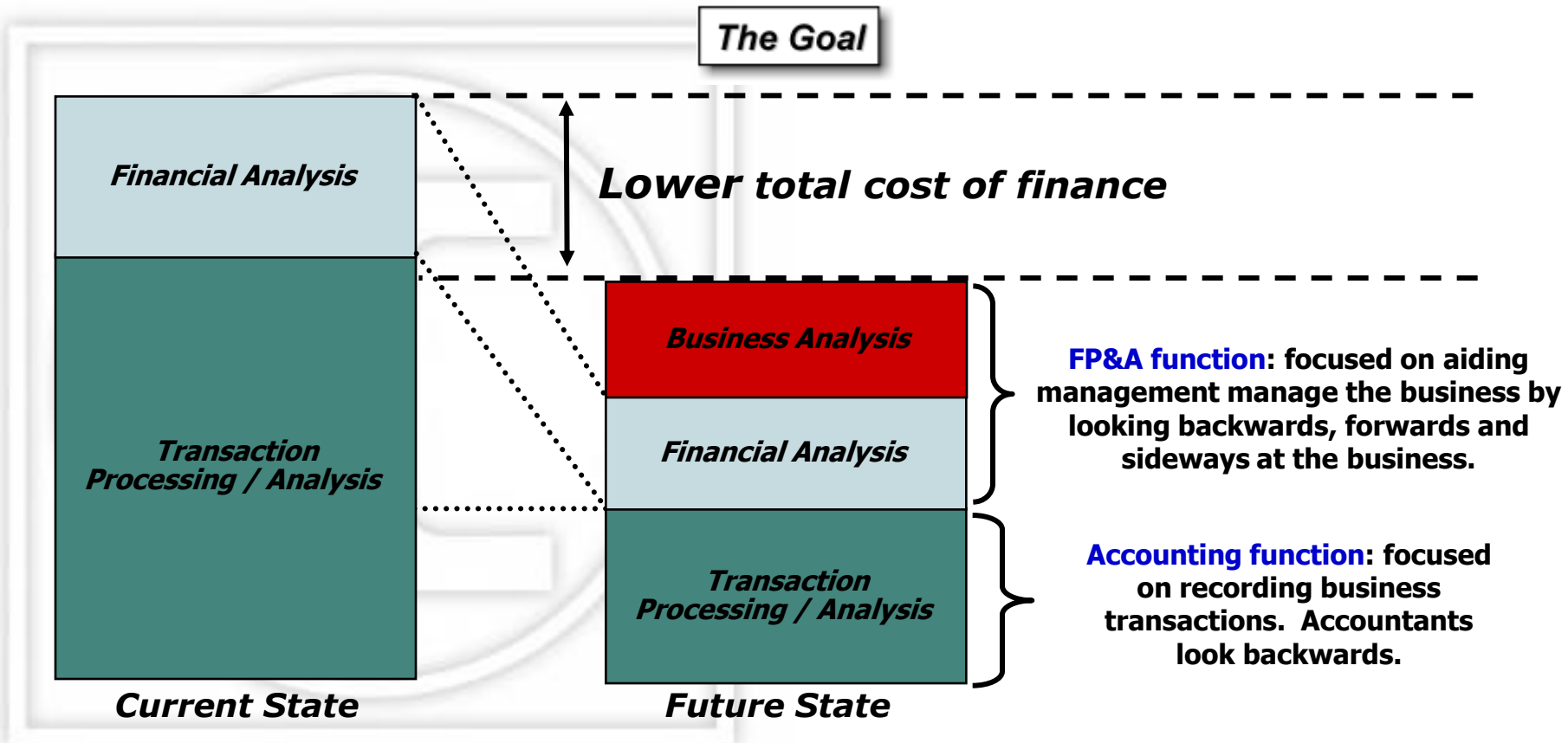
## KEY SKILLS FINANCE PROFESSIONALS NEED TO DEMONSTRATE



# Tax Regulatory Framework

- Three (3) new Greek tax system reforms in Greece in a single year.
  - tax Law 4110/2013 (January 2013),
  - tax Law 4172/2013 (July 2013) introduced a brand new Income Tax Code,
  - Tax Law 4174/2013 (July 2013) introduced a new code referring to all tax procedures relating to administrative aspects of taxation (tax registration and returns, tax audits, penalties etc.).
- New laws attempts some significant amendments on individual and corporate income taxation and sets a new regime for transfer pricing regulations.
- New controversial property tax Law (December 2013).
- Provisions from older tax laws are not abolished (parallel application).
- The general principles of the new tax laws are based on novel, for the Greek legal order, terms, and uncertainty will arise with regard to their interpretation and practical application (i.e. fringe benefits taxation).
- CFOs and Tax authorities will need to handle the Tax Controversies & Dispute Resolution .

# Finance Transformation



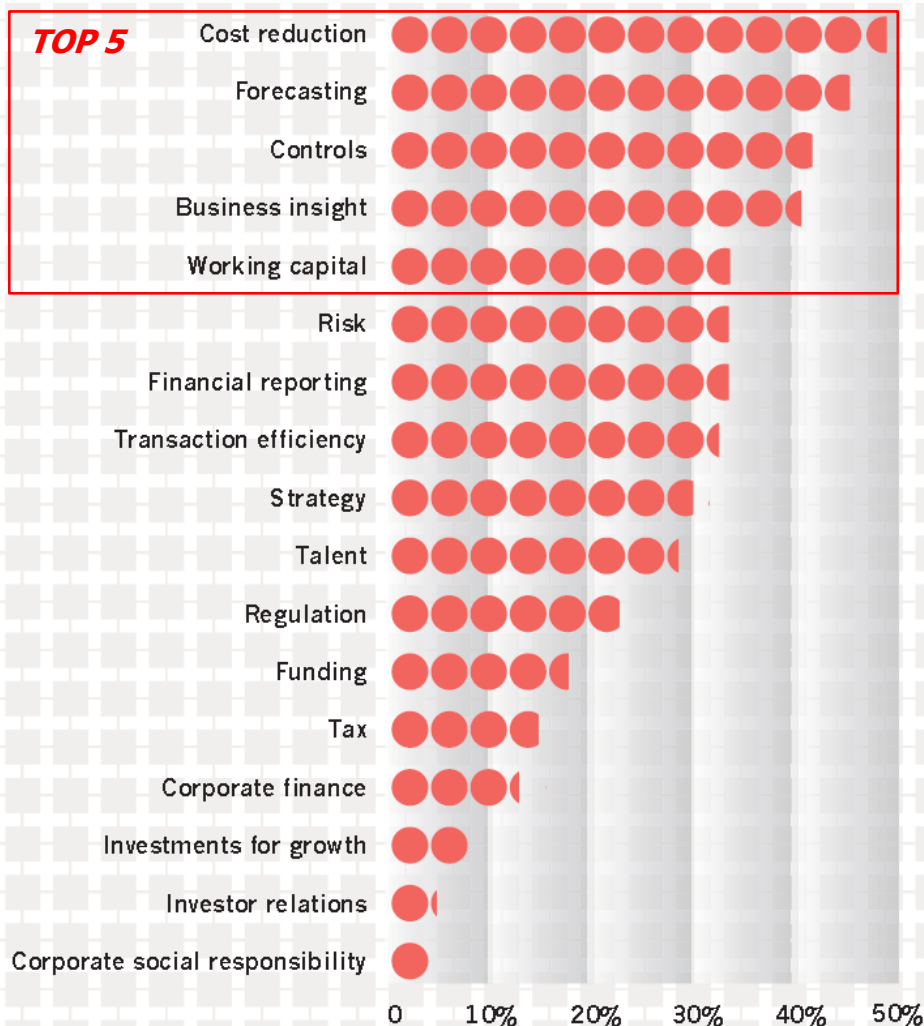
# The changing role of the CFO - Sidma Case



- Looking Forward vs. Looking Backward
- Strategy formulation
  - Most importantly: strategy execution
- Margins vs. Growth
  - Knowing when to change: profitability without growth
- Choosing KPIs and communicate their importance to Senior Management
- Focusing on key determinants of survival
- Communicating a recommendation effectively to internal stakeholders



# Current Priorities of Finance



Source: ACCA/IMA, *Finance leaders survey report: December 2012*

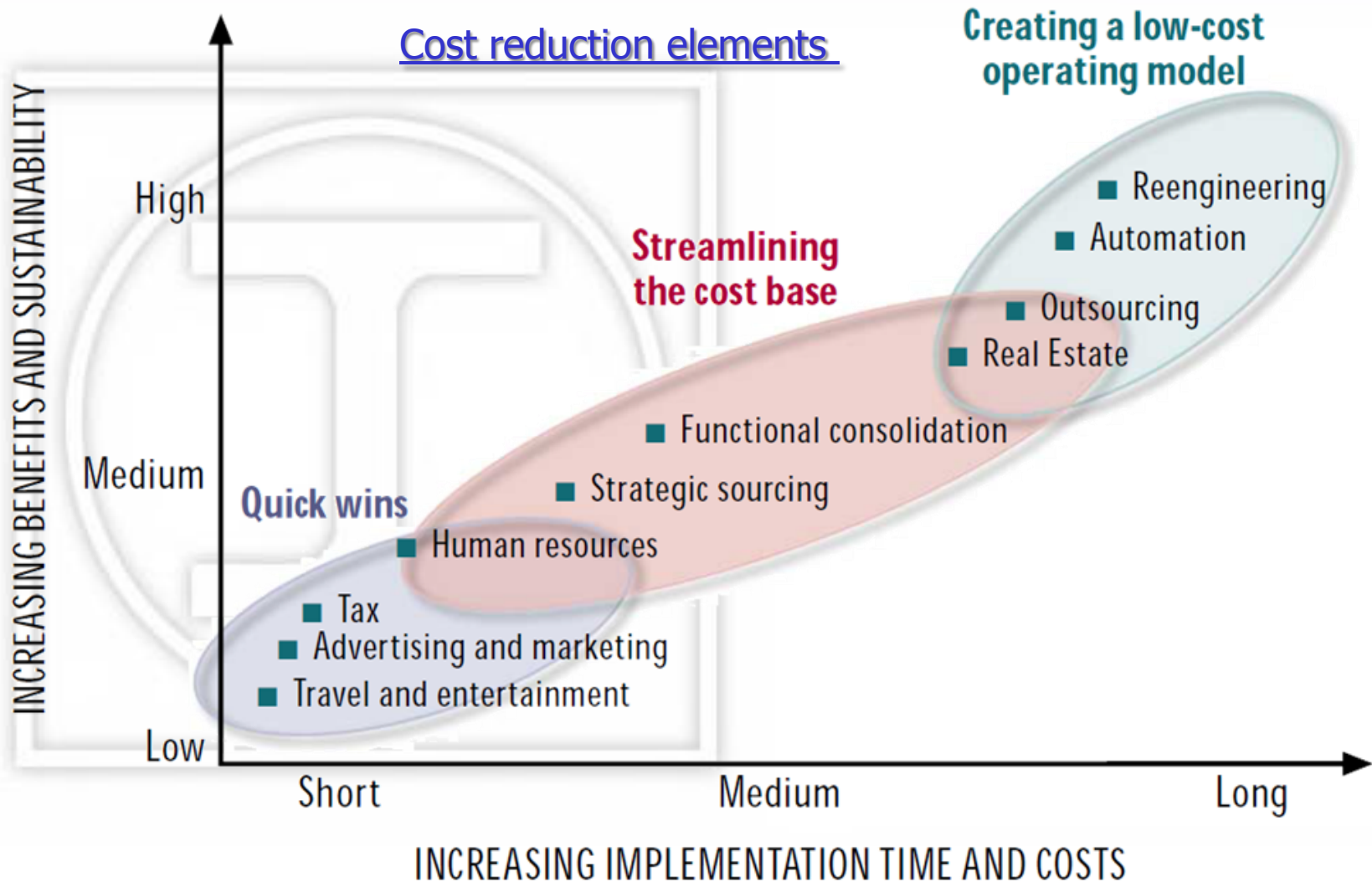


The Association of  
Accountants and  
Financial Professionals  
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The global  
body for  
professional  
accountants



# Cost reduction





# Cost reduction planning

- Establish an overall strategy for cost reduction.
  - Re-examine the company's goals and strategies. Where the company is heading for the next few years?
- Identify the core and non-core activities.
  - "must have" vs "nice to have"
- Develop a goal for each activity.
  - What is the minimum resource required for each activity?
- Establish expectations.
  - What % of cost savings can we envision?
- Measure results.
  - Adjust budget lines for surviving activities.

## Changing Views and Processes

### **Moving from:**

- Low Frequency
- Short-term
- Internal
- Centralized
- Scheduled
- Static
- Accounting profit view

### **Moving to:**

- High Frequency
- Long-term
- External
- Participative
- On-demand
- Driver based / Dynamic
- Liquidity & Debt capacity

# Forecasting – Sidma Case

- Put Risk into focus as a result of the changes in business environment
  - Emergence of “*black swan*” events (low probability of occurrence but with significant impact)
- Changing forecast horizons
  - From 3 month updates to monthly updates.
- Driver based forecasts
  - Focus on profitability and WC parameters
- Changing Monitored KPIs
  - From profitability to liquidity
- Rolling Forecasts
  - To be implemented by the end of the year



	30 Jan 12	30 Sep 12	31 Dec 12	31 Mar 13	30 Jun 13
Forecast					
2012					
2013					
	9	10	11	12	13

# Controls – Sidma Case



- Fully implemented credit policy into SAP
- 2 point blocking:
  - At order
  - At delivery
- 2 metrics checking
  - Credit limits
  - Credit days
- Each day mail to the CFO with all new credit limits into the system
  - Person entered the limit
- Each day mail to the CFO with all de-blockings
  - Person allowed the de-blocking, amount, reason

# Credit Controls – Sidma Case



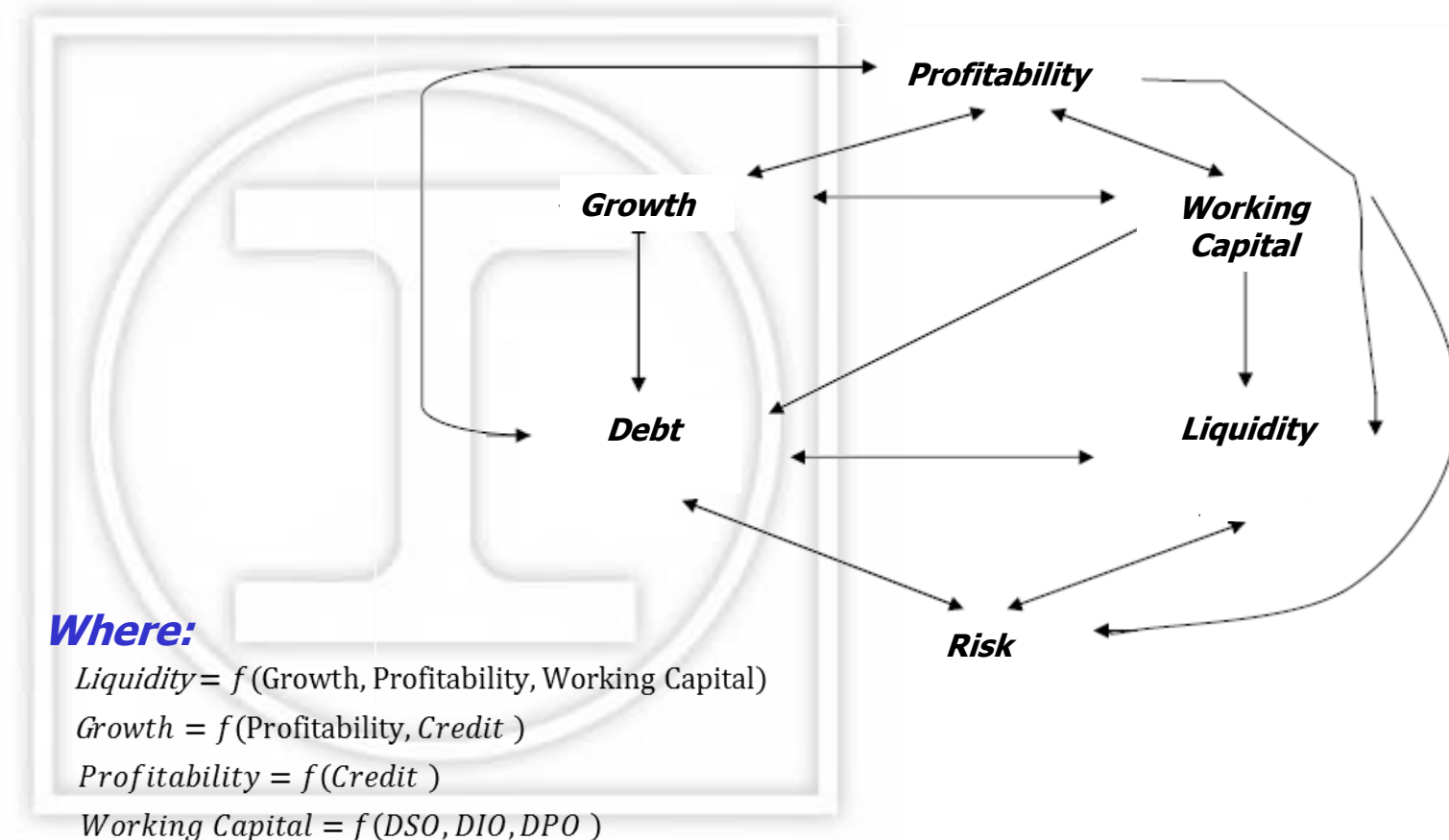
With the proper Credit Controls we reduced company's risk in three different ways:

1. Eliminated Bad Debts compared to some years ago
  - Early identification of risk
  - Improved profitability and cash-flow
2. Reduced Days Sales Outstanding (DSO)
  - Improved cash-flow
3. Reduce the total risk in our portfolio of customers

$$\text{Shareholder Wealth} = F\left(\frac{\text{CashFlows}}{\text{Risk}}\right)$$

Plus we saved more than € 15 mil. in WC needs

# Business Insight





# Business Insight - SIDMA Case

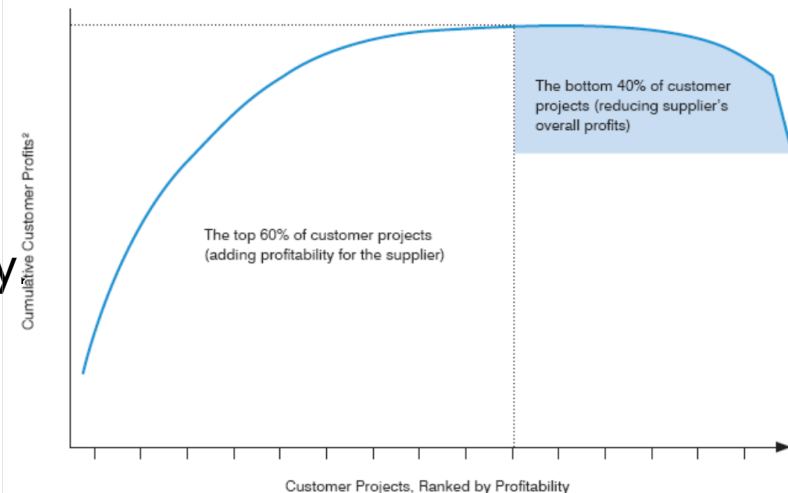


- Predict Gross margin per product on the fly (based on current sale prices and materials received into the warehouse)
- Rank customers based on profitability, not revenue
- Rank products based on profitability, not revenue
- Monitor working capital per product category
- Monitor customer receivables overdues & exposure per:
  - salesperson
  - customer segment
  - product segment
  - geographic location

**booz&co.**

## Rethink Your Strategy

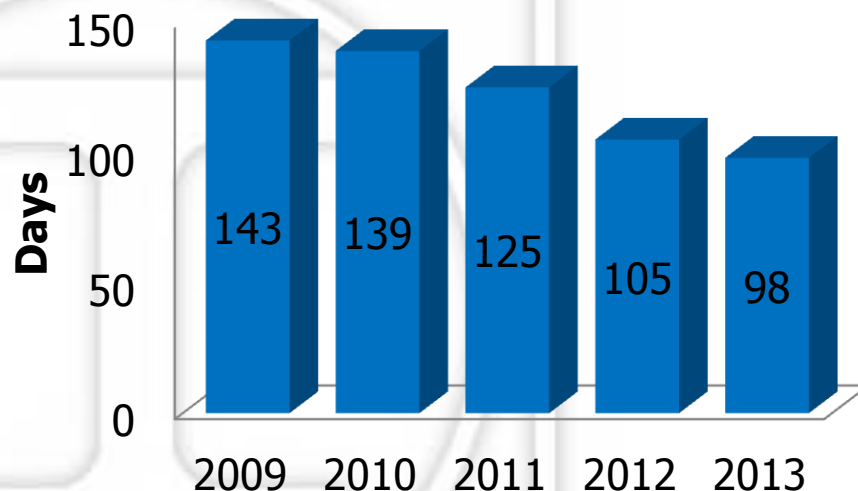
SIMPLIFIED PARETO ANALYSIS OF LIFETIME CUSTOMER PROFITABILITY\*



# Working Capital Management - SIDMA Case



- DSO Reduction
  - € 16 million less tied in working capital.



- Stock Cover Reduction
  - From 5x (2 stock & 3 due) in 2008 to 3,5x (2 stock & 1,5 due) in 2013.
  - € 7 million less tied in working capital.



***Thank you...!***  
***For your time and patience.***