

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



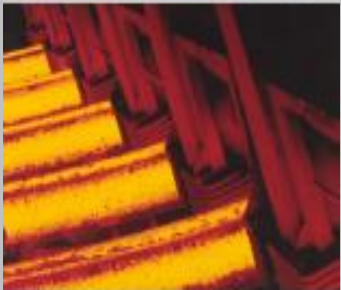
*Post crisis finance priorities*  
**24 September 2013**



# 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 2012 Sales ≈ € 140 million

## Customer

**Construction:**

- Building and civil  
engineering

**Merchants:**

- Retail

**Manufacturing :**

- Machinery
- White Appliances
- Mechanical  
Engineering

**Others:**

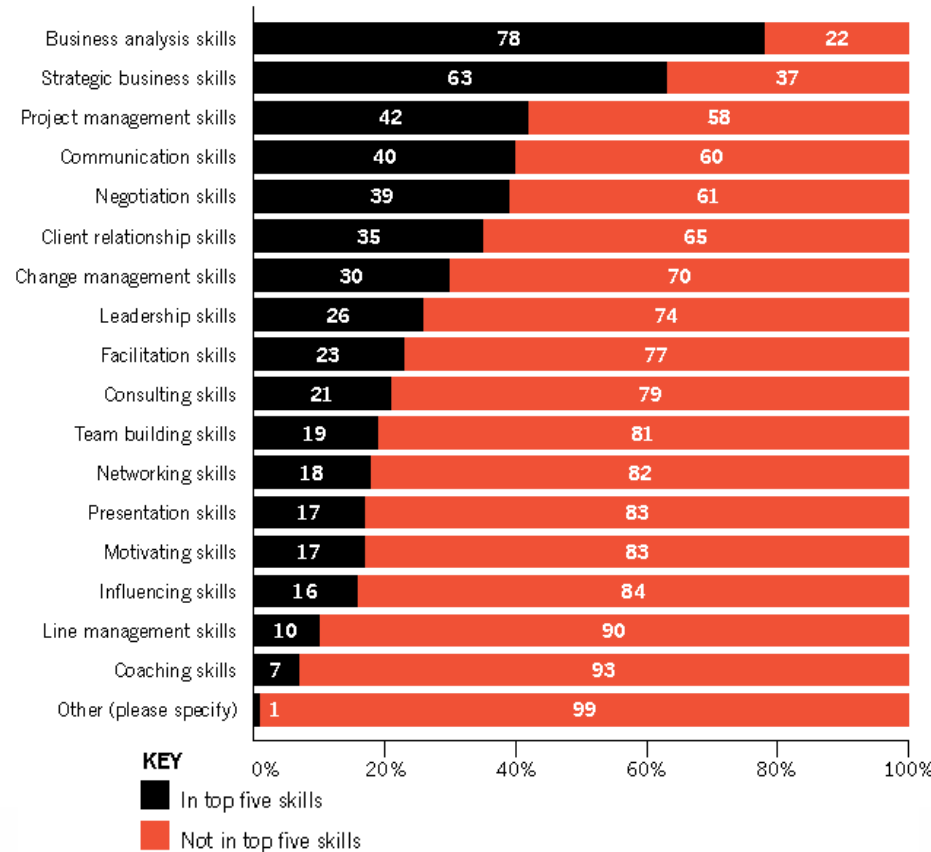
- Public Sector
- Metal products
- Shipbuilding
- Etc.



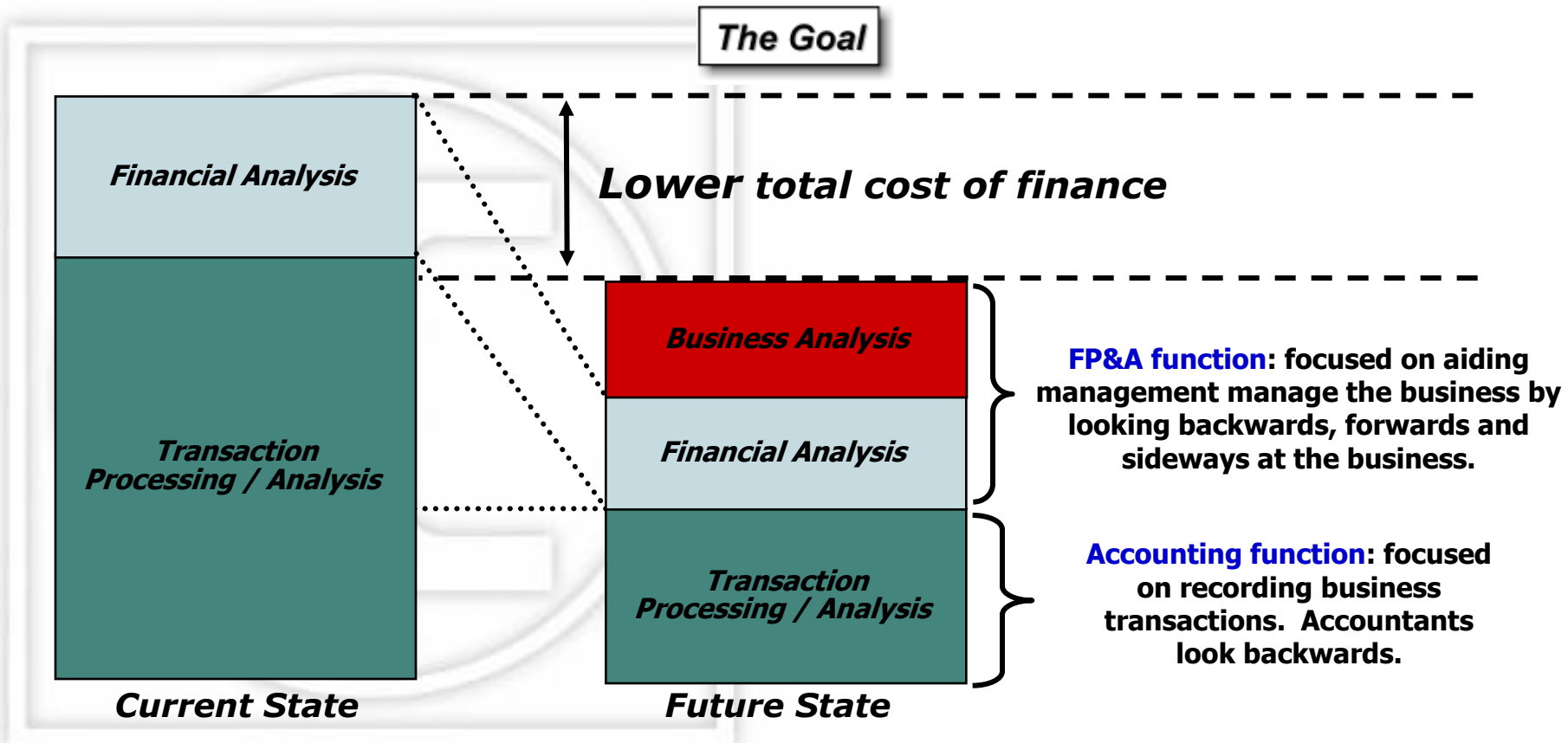
# The changing role/skills of the CFO

- 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



# Finance Transformation

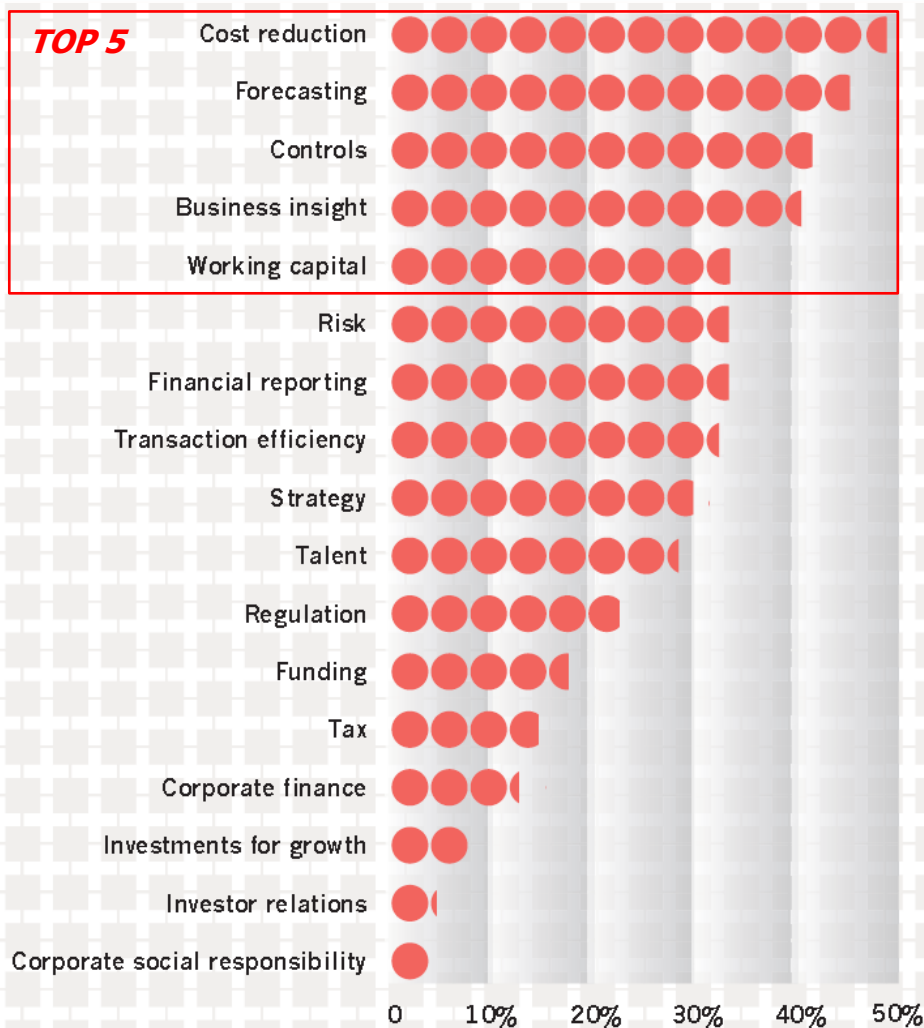


# The changing role of the CFO - Sidma Case



- 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*



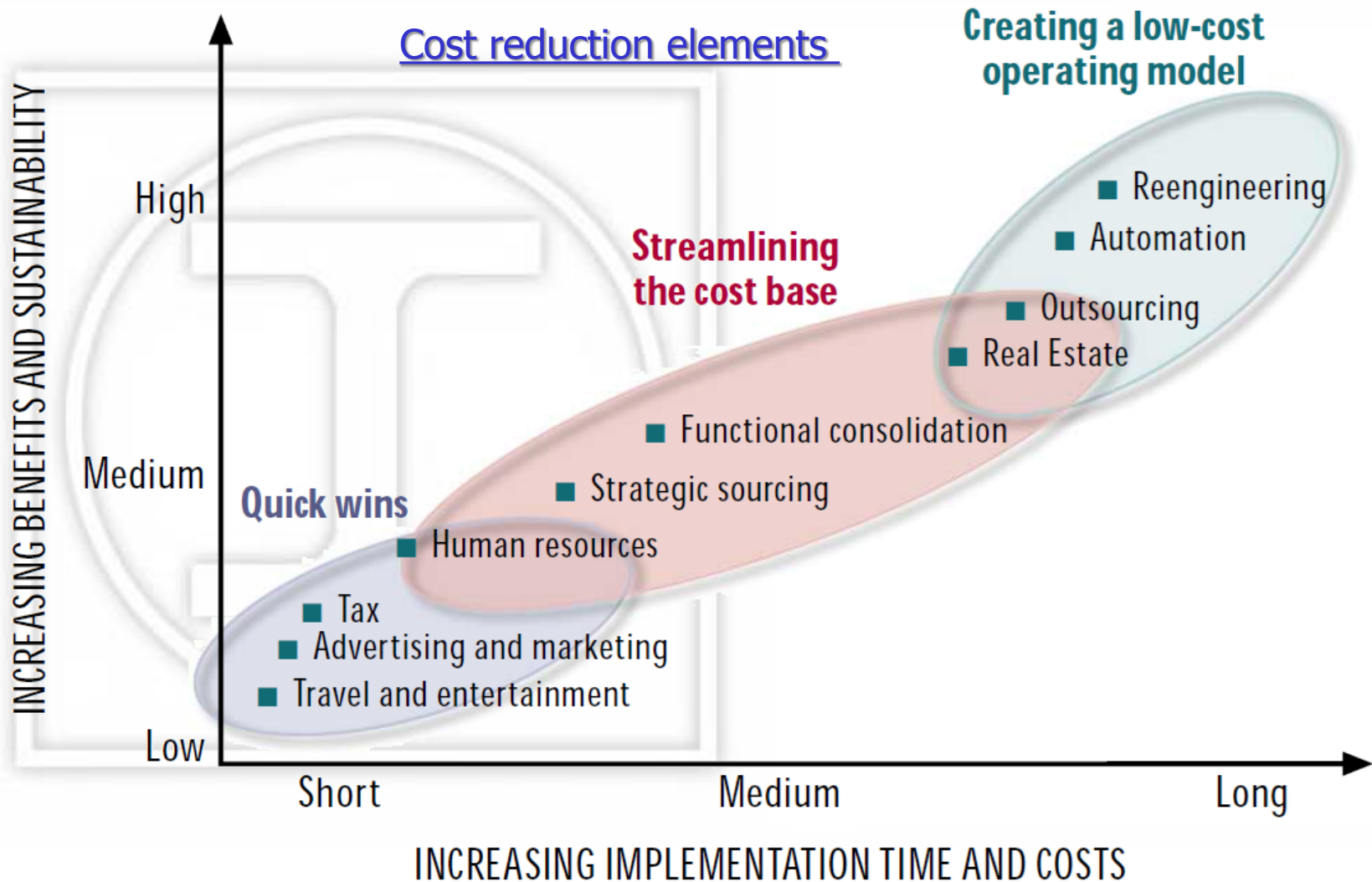
The Association of  
Accountants and  
Financial Professionals  
in Business

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

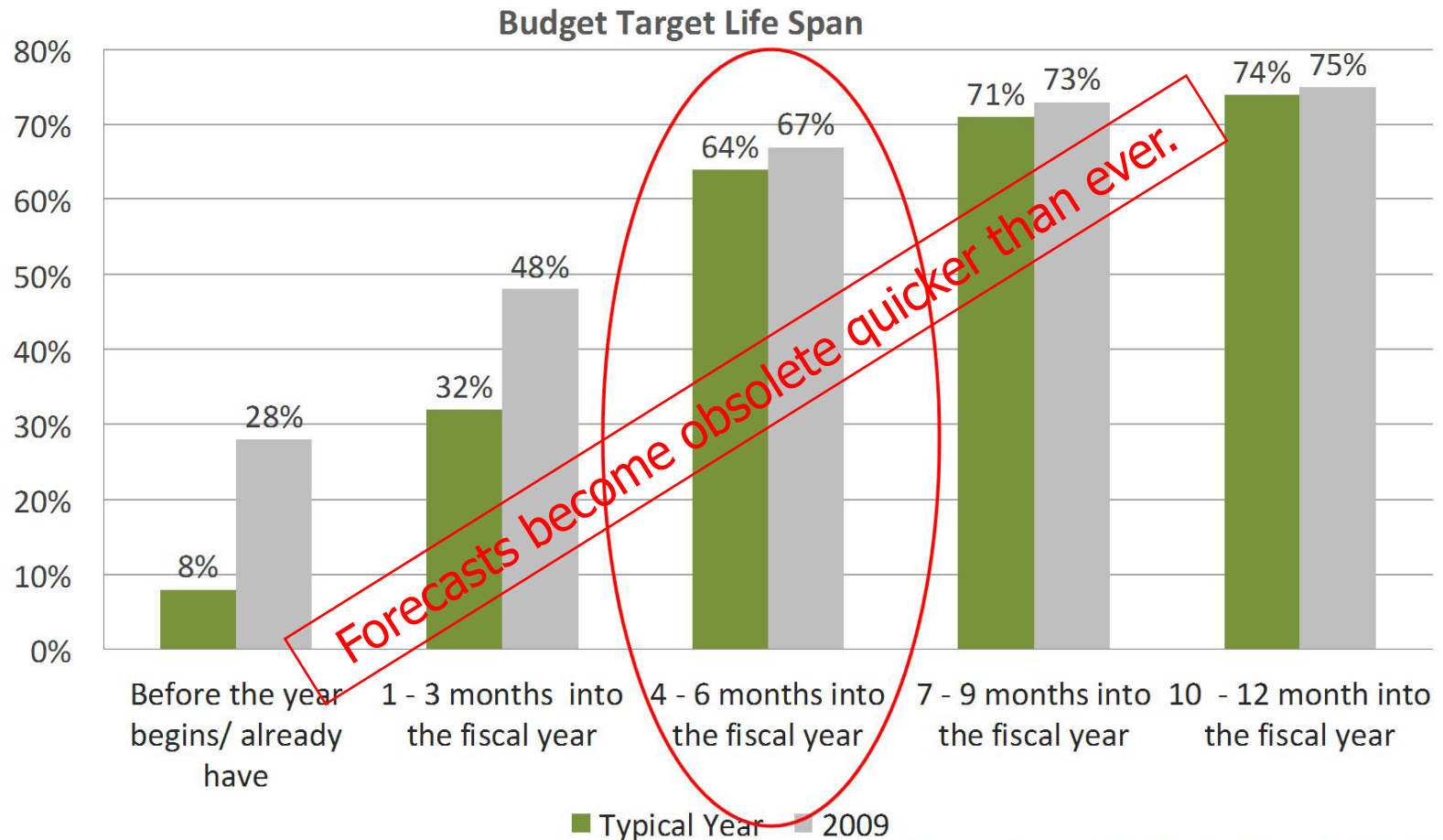
### **Moving from:**

- 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

# At what point do you expect you budget to become obsolete?



Source: Beyond Budgeting Roundtable (BBRT)

# 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



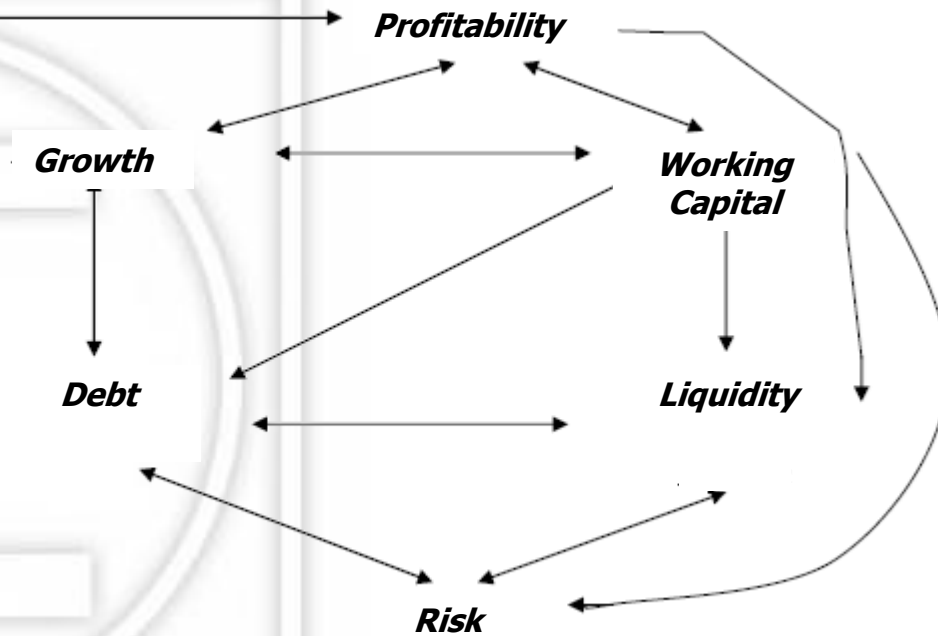
With the proper Credit Controls we reduced company's risk in three different ways:

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



## **Where:**

$Liquidity = f(\text{Growth}, \text{Profitability}, \text{Working Capital})$

$Growth = f(\text{Profitability}, \text{Credit})$

$Profitability = f(\text{Credit})$

$Working\ Capital = f(\text{DSO}, \text{DIO}, \text{DPO})$



# Business Insight - SIDMA Case

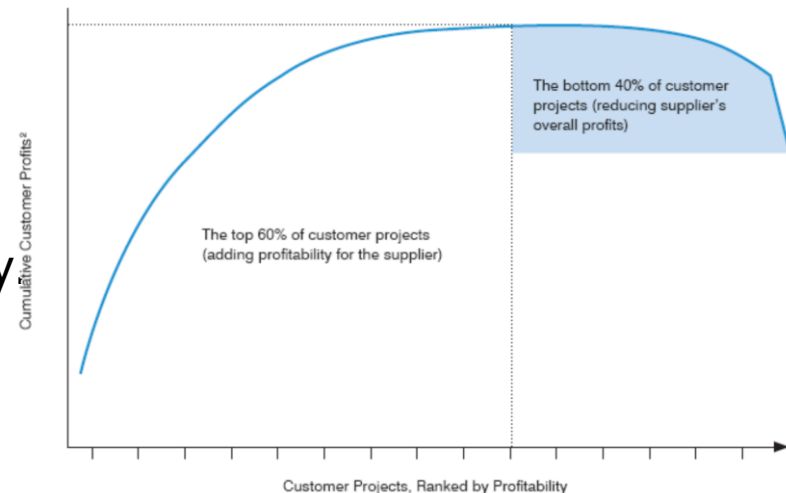


- Predict Gross margin per product on the fly (based on current sale prices and materials received into the warehouse)
- Rank customers based on profitability, not revenue
- Rank products based on profitability, not revenue
- Monitor working capital per product category
- Monitor customer receivables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

**booz&co.**

## Rethink Your Strategy

SIMPLIFIED PARETO ANALYSIS OF LIFETIME CUSTOMER PROFITABILITY\*



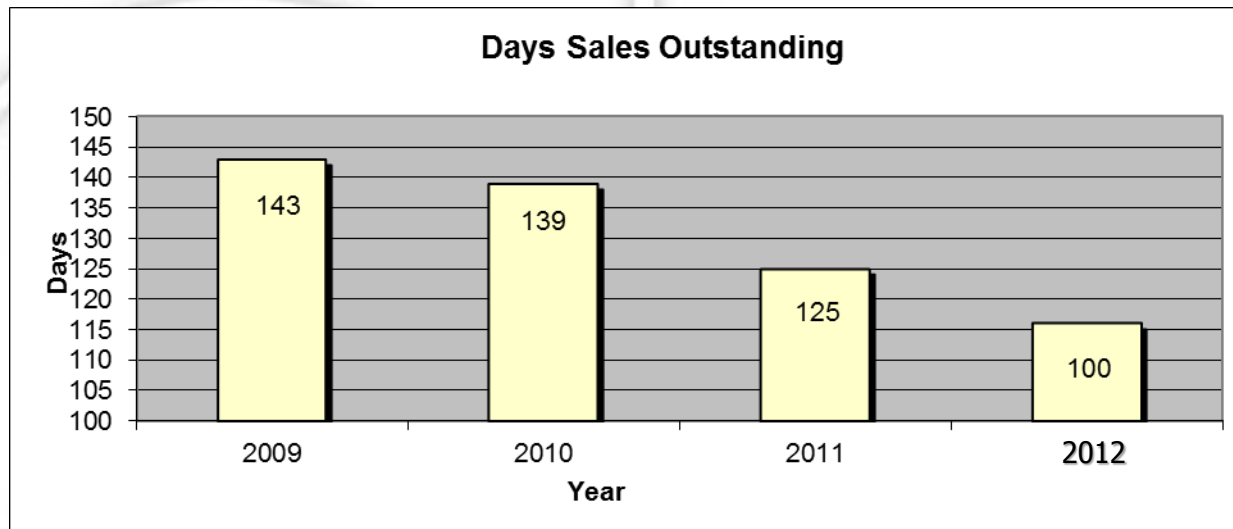
# Working Capital Management

## - 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 2012.
- € 7 million less tied in working capital.



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