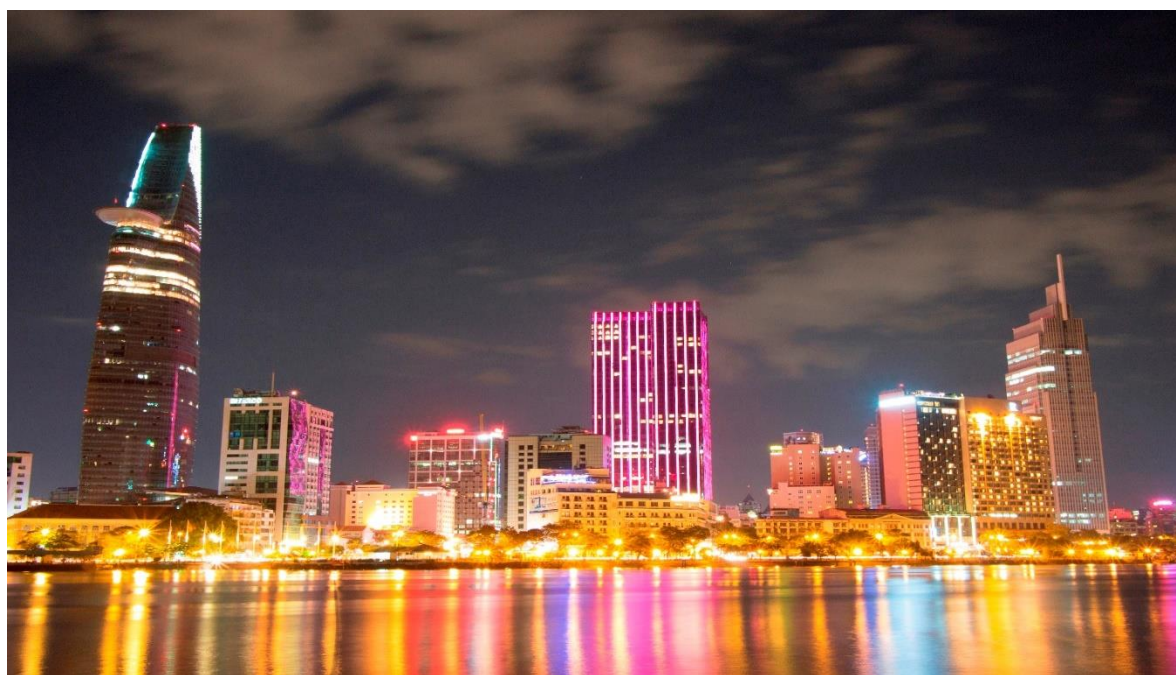


Understanding Supply Chain Finance (SCF)



Why SCF ?

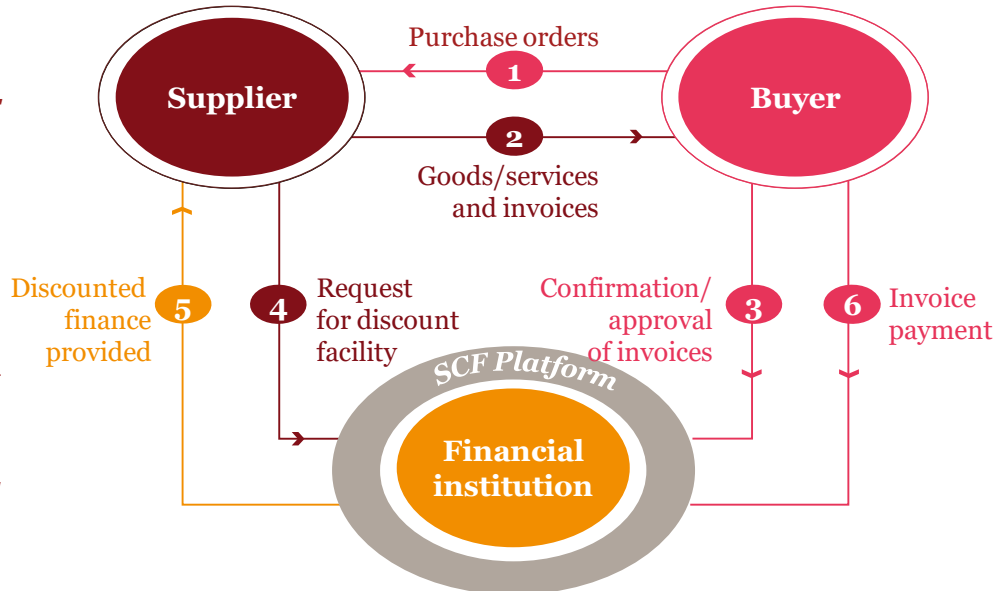


Understanding SCF

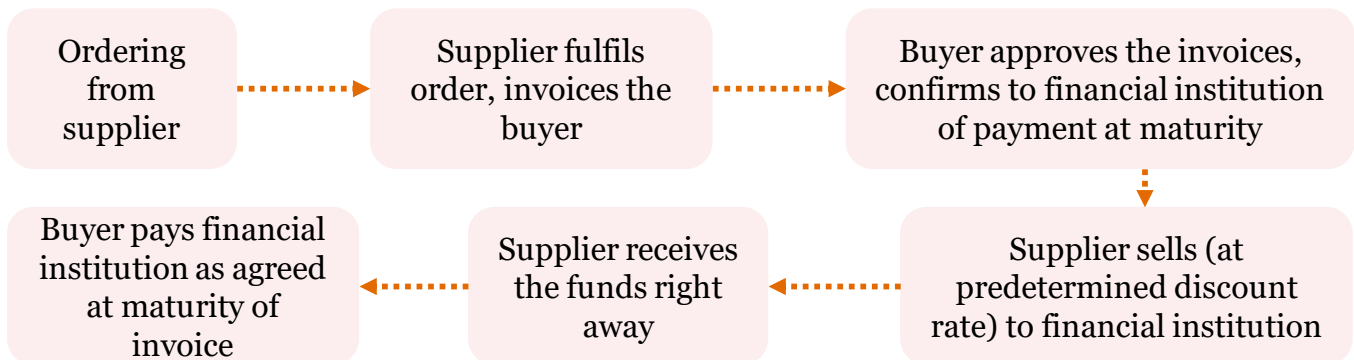
The current economic climate is forcing many companies to better manage liquidity. Supply chain finance can be an attractive way for companies to improve their working capital position whilst also having a positive impact on EBIT

Key concept

SCF requires the involvement of a SCF platform and an external finance provider who settles supplier invoices in advance of the invoice maturity date, for a lower financing cost than the suppliers' own source of funds. This benefit is then shared among the parties.





Process flow



Benefits

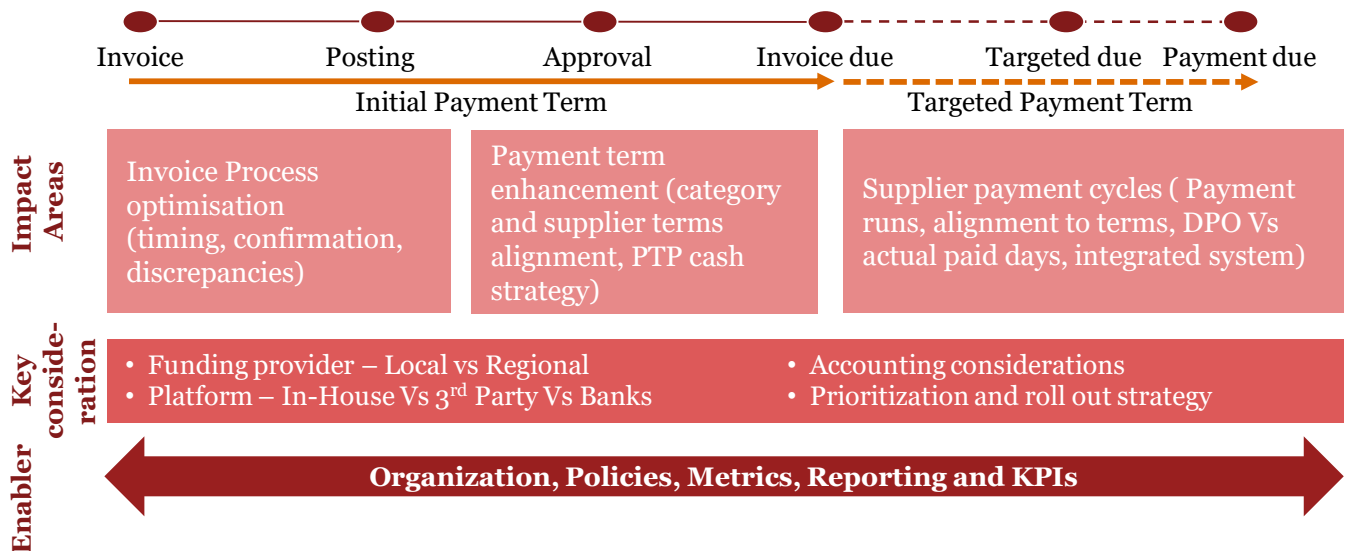
The key idea behind SCF is to provide suppliers with access to advantageous financing facilities by leveraging the buyer's stronger credit rating

 The Buyer	 The Supplier
✓ Longer supplier payment terms without having to 'trade off' against higher prices - 30-50% Trade Payables increase	✓ Lower Trade Receivables and increase in cash position
✓ Off-balance sheet financing and general improvement of the balance sheet	✓ Faster access to cash at advantageous rates
✓ Reap early settlement discounts which flow directly into profits while still paying at invoice maturity	✓ Stronger cooperation with the buying company creates a competitive advantage
✓ Improved process capability in Invoice Receiving, Approving, Electronic Invoicing and overall Procurement	✓ Quicker cash conversion cycle from delivery to cash

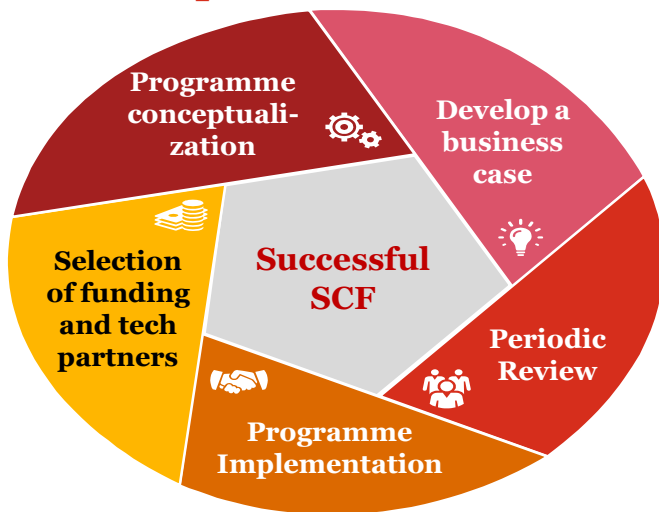
Implementing SCF

Based on our experience, to maximise the working capital potential of an SCF programme, it should be part of an integrated Procure to Pay (P2P) strategy and approach. It is applicable to any industry having significant supplier spend and has been successfully implemented by many major global MNCs

Embedding as part of P2P process



Main steps



Key Success factors



SCF activities on global scale

Platform	Organization	Platform Provider / Product	Funding Provider
Bank Platform	Nestle	Supplier Finance	Citi
	Unilever	Confirming	Santander
Third Party Platform	Sainsbury's	Prime Revenue	RBS
	Coop	Demica Citadel	Multiple
Custom developed platform	Carrefour	FINIFAC	Santader, BNP Paribas, Unibanco
	Metro Group	MIAG Vendor Discounting (MVD)	Deutsche Bank

Our experiences in implementing Supplier Finance programme



We will share our insights from both side of the aisle to ensure a successful implementation catering to various stakeholders across the Procure-to-Pay process within the organization

Example of previous engagements in selected industries



FMCG

A UK based FMCG company identified 1-3% in scope spend of cash benefits, improved ~ 30 days supplier credit term, and facilitated better planning through centralised purchasing model

- Completed Gap analysis, design, and implement supplier on boarding plan for central suppliers
- Conducted User Acceptance Test (UAT) coupled with buyer and accounts payable staff training
- Monitored the roll out for supplier on boarding and create overall implementation status report



Financial service

A leading bank in the Kingdom of Saudi Arabia (KSA) boosted revenue by USD 10 mil without impacting asset quality, with >165% IRR, and 800 new suppliers expected to sign up in the first 5 years

- Created a full Supplier Financing (Reverse Factoring) product and credit program
- Planned additional processes to ensure a successful execution of the Supplier Finance program
- Trained RMs, product teams, & relevant stakeholders across KSA on selling and servicing the program



Manufacturing

A tier 1 automotive supplier improved >USD 200 mil in working capital within 6 months, shortened 7 days invoice approval timeline, and released personnel bandwidth with ease of tracking and transactions

- Developed of negotiation approach and strategy for the top 150 global suppliers with harmonized payment terms across suppliers, categories
- Locally set up the interface between client (SAP) and bank (Supplier Finance Portal) and joint testing of functionality
- Recommended and built Global Payment Terms for relevant suppliers, leveraging economies of scale and ensuring standardised approach on supplier level within local legal requirements

Detailed Approach and Team

PwC follow a holistic yet tailored approach based on client's objectives and requirements to deliver both cash and cost benefits. Our team has delivered SCF implementation across all major markets globally and look forward to implementing the same in Vietnam

Key Drivers of Success for SCF programme

Technology Platform & Financing Partner selections

- SCF has been around for decades, resulting in multiple technology approaches that offer different levels of flexibility and integration with your ERP system – selecting the right one is key for long term success
- Cutting-edge Fintech allows you to tap into global finance markets. The off-balance sheet nature of SCF allows to add financing providers despite possible restrictions from debt covenants.

Cross-functional approach

- Despite the name containing “Finance”, SCF programmes cannot be successfully rolled out only with the involvement of the Treasury or Finance function – Procurement and Accounts Payable are equally important
- Successful SCF programmes bridge the functional gaps and align the organisation to a common Procure-to-Pay strategy

Integration into a comprehensive Procure-to-Pay Initiative

- Minimise invoice approval times, maximise use of e-invoicing, self-billing and cooperation with suppliers; Payment term and payment run enhancement
- Differentiated terms strategy with aligned payment runs; consideration of small business suppliers; be economic with corporates – nurture small businesses

How PwC assists in implementing SCF

SCF Feasibility Review & Opportunity Estimation

- Quantitative analysis of spend data to estimate SCF opportunities (Cash & EBIT)
- Supplier-industry specific terms benchmark Performance assessment in invoice processing and approval price
- Assessment of electronic invoicing penetration, non-PO spend

Procure-to-Pay Opportunity Assessment

- Quantification of benefits from avoiding early/late payments, and terms structures, optimised payment channels improvements
- Opportunities of invoice scanning, EDI interfaces, robotics and AP automation
- Optimised use of ERP resources, better controlling & governance

Working Capital Project Management Office

- Establishment of PMO to drive change through the organisation
- Performance Dashboards with drill-down capability, with executive and operational KPIs and performance reporting
- Action plan development and monitoring of progress
- Build-up of a Working Capital Centre of Excellence for the client



Our specialist Capabilities

- Dedicated working capital expert team
- Industry related experience
- Tailored best practice methodology
- Proven change management capabilities
- Hands on mentality and collaborative mindset
- Focus on knowledge transfer

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