
IS YOUR SUPPLY CHAIN A BETTER LIQUIDITY INVESTMENT THAN BANK DEPOSITS?

December 2021





- Secured liquidity investments are now offering **negative returns**.
- **Good news:** your supply chain can help you maximize your cash ROI!

01.

**LIQUIDITY
INVESTMENTS
LANDSCAPE**



— Traditional cash investments vehicles have lost their appeal...

Return on liquidity investments remain limited and costly.

Available Options

Bank Deposits

Money Market Funds

Structured Products

Recent Challenges

- Basel III
- Negative Central Bank rates
- Inflation



Deposits have a negative return on most currencies

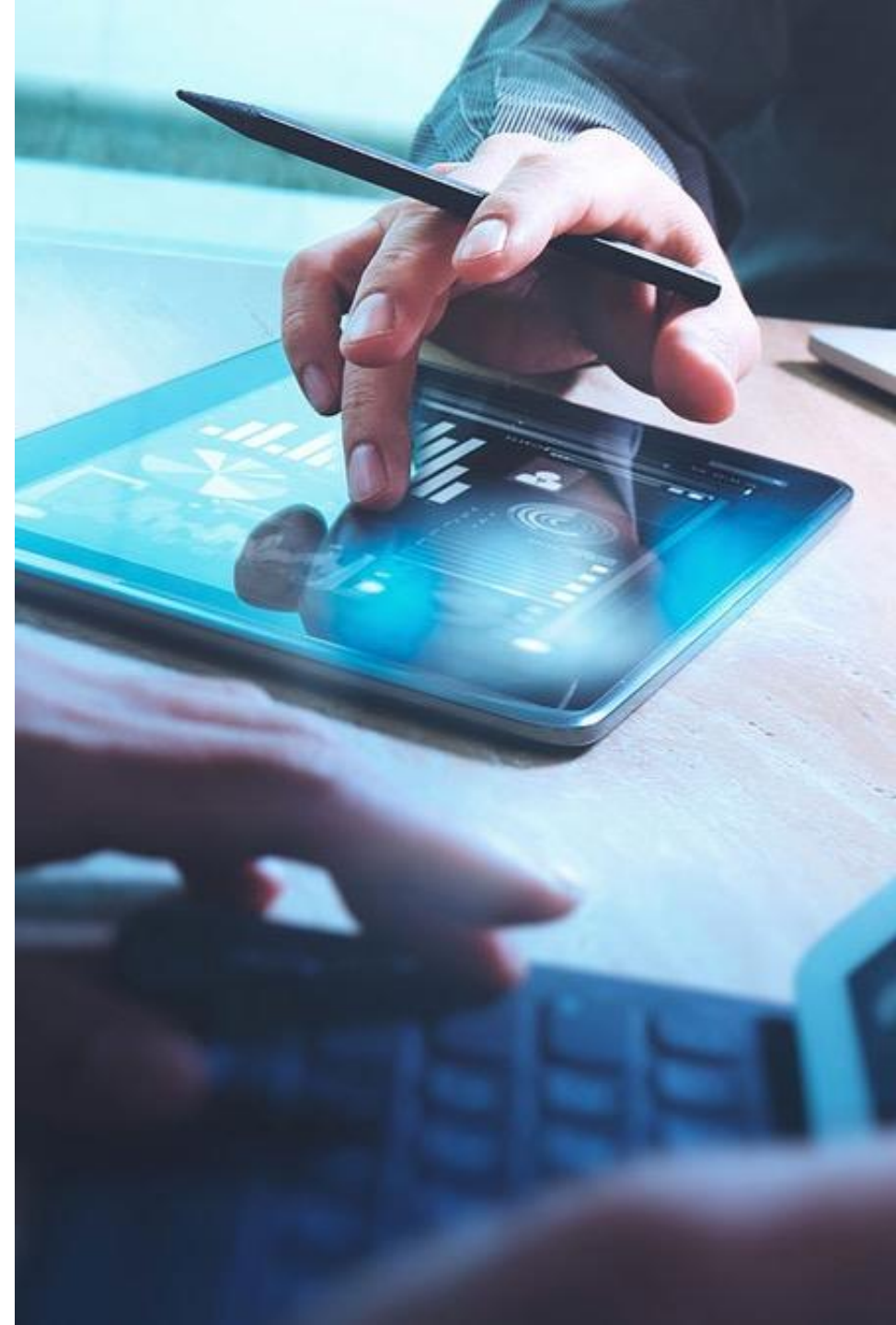


Cash poolings are now penalizing cash rich entities

Bonds, cryptos and equities may offer a positive return, but without capital protection...

02.

**SUPPLY CHAIN
UPGRADE: GOING
BEYOND TREASURY
INVESTMENTS**



Focusing on Supply chain is beneficial to both cash rich and poor corporates

	ACTION	IMPACT
01	<p>Early Payment/ Supplier Financing</p> <p>Factoring, Supply chain funding/ Securitization</p>	<p>Increased EBITDA</p> <p>Increased liquidity / Off balance-sheet debt</p>
02	<p>Dynamic discounting</p>	<ul style="list-style-type: none">• Stronger Buyer-Supplier relationship• Prioritized delivery (e.g. semi-conductors)• Increased EBITDA/ decrease funding
03	<p>ESG investment</p>	<ul style="list-style-type: none">• Improve your funding conditions• Support directly the net-zero transition of your supply chain
04	<p>Digitalization and process automation</p>	<ul style="list-style-type: none">• Increased productivity• Fraud risk decrease

03.

**INTERESTING OPTIONS
TO MAXIMIZE
SUPPLY CHAIN
INVESTMENT**



— Focus on 3 solutions to boost your supply chain efficiency



FUNDING

SUPPLY CHAIN FINANCING AND DYNAMIC DISCOUNTING



PROCESS

PROCESS DIGITALIZATION



ESG

ADDING AN ESG LAYER...

— Implementing a supplier financing platform: BEL case

OBJECTIVES

- Improve the Group's **working capital** by optimizing internal processes and by organizing settlement campaigns on specific dates, etc.
- Equip buyers with a range of services to **add value** in their supplier relationship
- Via a dedicated **internet portal**, share transparently accounting items managed in SAP with suppliers
- Provide suppliers with **competitive funding** via a dynamic discount system which is completely free to use
- Give suppliers complete **freedom** to access accounts and early settlement information

IMPLEMENTATION

- **Test** concept in France
- Build **internal working group**, involving the Accounting, Suppliers, Purchasing, Treasury and IT teams
- Re-design of a **supplier offer**
- Presentation to the **purchasing teams** to relay the message to suppliers
- **Payment terms** update and creation of a simplified regulations matrix
- Creation of internal and external **marketing materials**: campaigns, telephone follow-ups and dedicated supplier supports.

RECENT INNOVATIONS

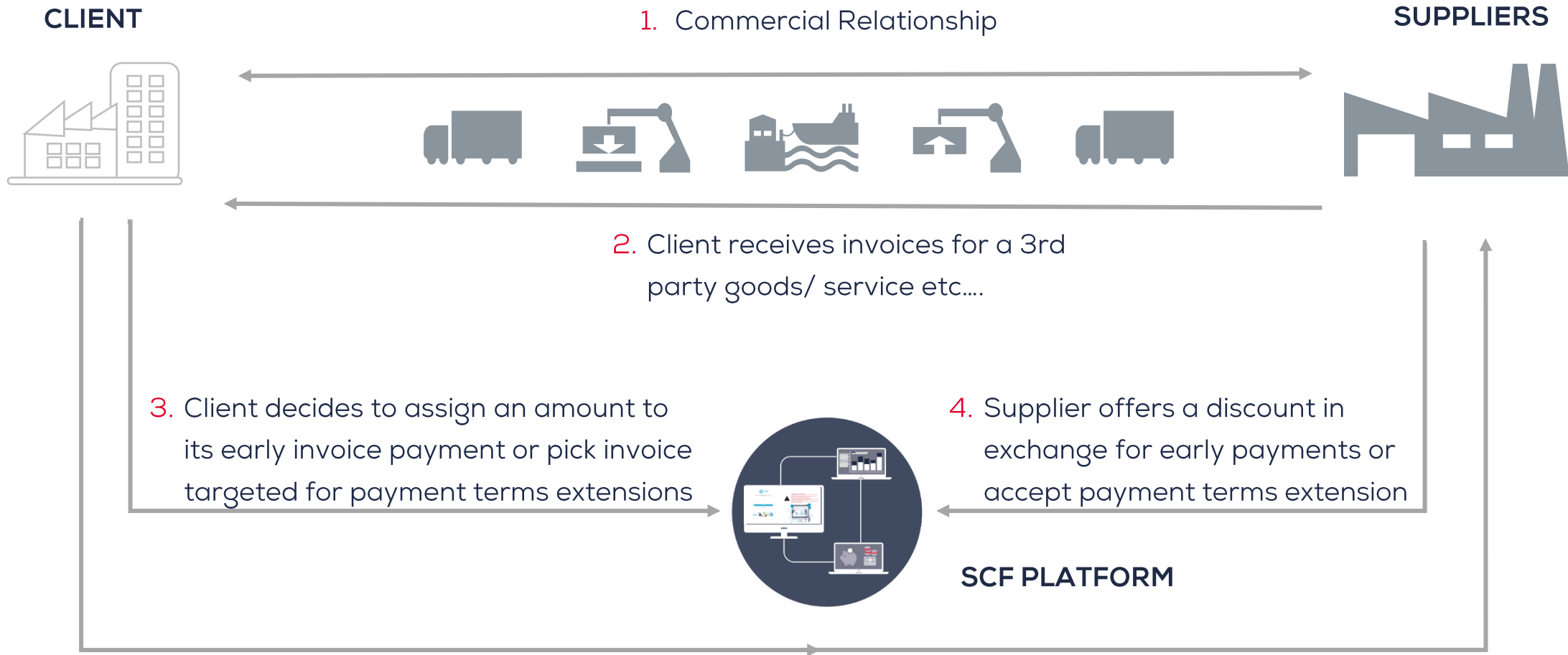
- **Extension** of the program to European countries where BEL factories are located and the number of suppliers who can benefit from the service
- To limit the COVID impact onto their suppliers, BEL offered an early payment system with no charge: **0% rate funding**.



<https://www.youtube.com/watch?v=UX8al1ipGsY&feature=youtu.be>

Dynamic Discounting

Boost your EBITDA by spending excess cash



6. Once agreement is reached, supplier is paid earlier or terms extended and the buyer increases its EBITDA or decrease its cost of funds

Dynamic Discounting Platform: retail sector case

Preliminary ROI > 3X

Number of suppliers 2019	billed entities	621
Payment terms (DPO)	days	107
SCF payment time	days	10
DPO reduction	days	97
Leadtime order - invoice	days	100
Purchase order financing	%	30.00%
Option - % financing at time of order	%	10.00%
Supplier onboarding	%	100.00%
Purchasing Services EUR	€m	€1,717.8M
Eligible Dynamic Discounting	%	3.00%
Spread CT*	%	0.70%

SCF funding costs - funding gain			
L	Average outstanding SCF financing	€m	€435.5M
M	Average outstanding financing order	€m	€28.2M
K	Funder spread	%	0.70%
N	Annual profit for funders	€m	€3.2M

Program costs			
O	Implementation	upfront fee over 5 years	€ .1M
P	Recurring technology platform	annual subscription	€ .3M
Q	Recurring structure costs	people+IT+legal	€ .5M
R	Annual cost platform + structure	€m	€ .9M
S		%	0.19%

Program costs for suppliers			
K	Financing costs	%	0.70%
S	Structure costs of the proposed program	%	0.19%
T	Annual cost for suppliers	€m	0.89%
U	Discount on receivables	€m	€ 4.1M
V	Cash received by supplier	€m	€ 1,713.7M
W	Accounts receivable discount rate	%	0.24%
X	Cash flow generation for the supplier	€m	€ 461.7M
Y	Supplier's spread on its local market	%	
Z	Annual gain for suppliers	€m	

Financing costs on equity (dynamic discounting)			
AA	Outstanding DD financing	€m	€ 13.9M
T	Reference rate	%	0.89%
K	Spread	%	0.50%
AB	Equilibrium Dynamic Discounting	€m	€ .1M

— Create value in your supply chain through ESG

Recent trends show that financial institutions are eager to link ESG engagement to financing even though it decreases their margin.



Process Digitalisation (1/2)

How does that works concretely?

ERP	Interface Type	Payment Platform On premises, cloud based (SaaS)	Bank Interface
<p>Bank Master Data</p> <ul style="list-style-type: none"> - Set up in House Banks - Set up Payment Types (ACH, Wire, Cheques Urgent, Non-Urgent) - Setup Bank G/L Accounts Assign Payment Types <p>Vendor Master Data</p> <ul style="list-style-type: none"> - Register Bank Details (Account Number, IBAN, Sort Code, BIC) <p>Payment File Creation</p> <ul style="list-style-type: none"> - Mass Payment Runs (i.e. SAP F110) - Single Payment Runs (i.e. SAP 4111) <p>File Formatting</p> <ul style="list-style-type: none"> - SAP i-doc - XML / CGI pain 001/002 - DTAUS, .csv 	<p>SAP</p> <ul style="list-style-type: none"> - RFC - BAPI - SOAP Webservice - REST - HANA Plug In <p>NON SAP:</p> <ul style="list-style-type: none"> - Manual Upload - sFTP - FTP - Webservice - API 	<p>Payment File Formats</p> <ul style="list-style-type: none"> - Format Library - Conversion Services <p>Fraud & Compliance</p> <ul style="list-style-type: none"> - Sanction Screening/ Denied-Party Check (i.e. OFAC List) - Fraud Prevention & Detection Features (i.e. unusual amounts, payment frequency) <p>Reporting Functions</p> <ul style="list-style-type: none"> - Analysis Reports - Tables & Charts - Auto – Visualization Features <p>Payment Workflows</p> <ul style="list-style-type: none"> - Approval Workflows (i.e. 4/6 years) - Release Workflows (i.e. auto release) - Payment Status Monitoring <p>Data Security</p> <ul style="list-style-type: none"> - File Encryption - Digital Signature - Corporate Seal 	<p>EBICS</p> <p>Swift/Swift GPI</p> <p>Host-to-Host API</p> <p>Transfer as a service</p>
<p>HR SYSTEM (NON SAP)</p>			
<p>Manual Payment Templates from non ERP systems</p>			



Banks

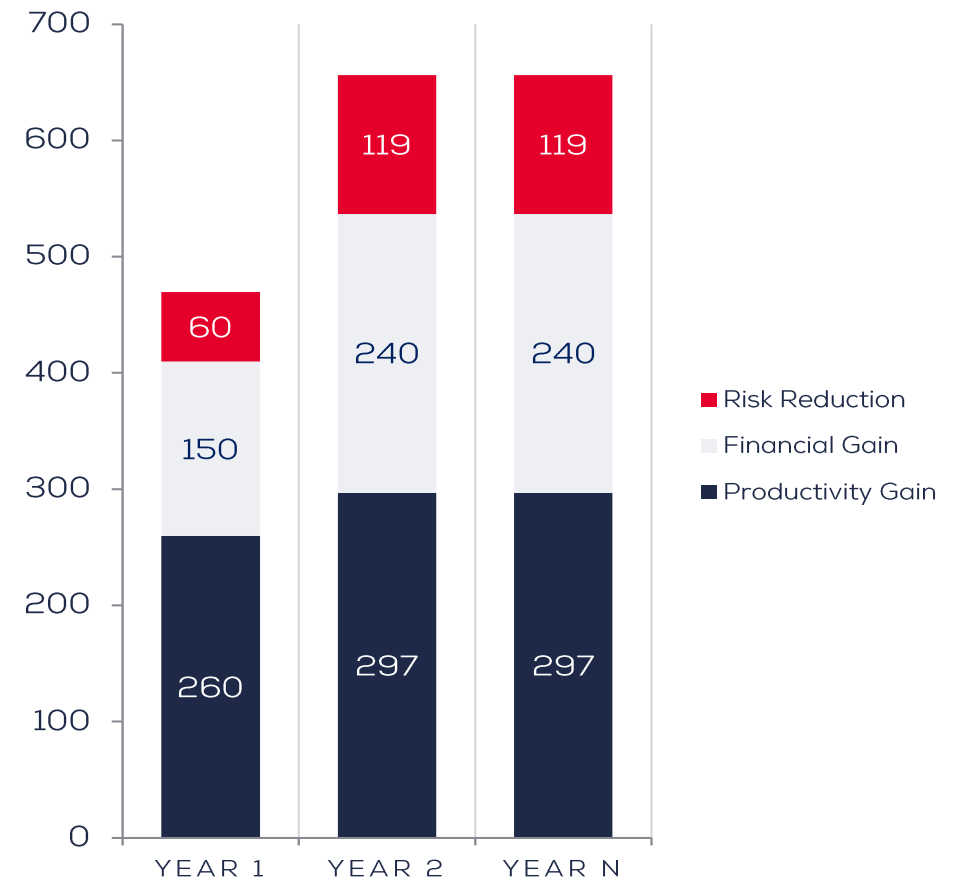
Process Digitalisation (2/2)

Automation projects can fund themselves within a year and achieve 55% ROI through productivity and security gains

Illustration of ROI calculation, hypothesis taken :

- Company's revenue : \$500m
- Company's subsidiaries : 20
- IT dept ETP : 20
- Finance dept ETP : 40
- Average hourly cost IT personal : \$25 h/gross
- Average hourly cost finance personal : \$28,5 h/gross
- Global average IT teams hourly rate : \$23 h/gross
- Global average finance teams hourly rate: \$25 h/gross
- Scope of implementation:
 - Cash management
 - Debt management
 - FX management
 - Accounting management
- % of corporate targeted by fraud : 57%
- % of successful attempts : 2%
- **Total savings: \$250k (direct and indirect)**
- **ROI: 113%**

DETAILED GAIN ANALYSIS



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