

# COMPREHENSIVE LIQUIDITY AND SUPPLY CHAIN RESILIENCY



## CRAIG JEFFERY

Managing Partner, Strategic Treasurer

## VINCENT BEERMAN

Sr. Director of Product – AI and Data Insights,  
Taulia



### WHAT.

Overcoming challenges and ensuring liquidity through various levers.



### WHEN.

Thursday, June 4, 2020  
2:00 PM – 3:00 PM EDT



### WHERE.

Live online presentation  
Replays at  
[StrategicTreasurer.com](https://StrategicTreasurer.com)



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# SPEAKERS

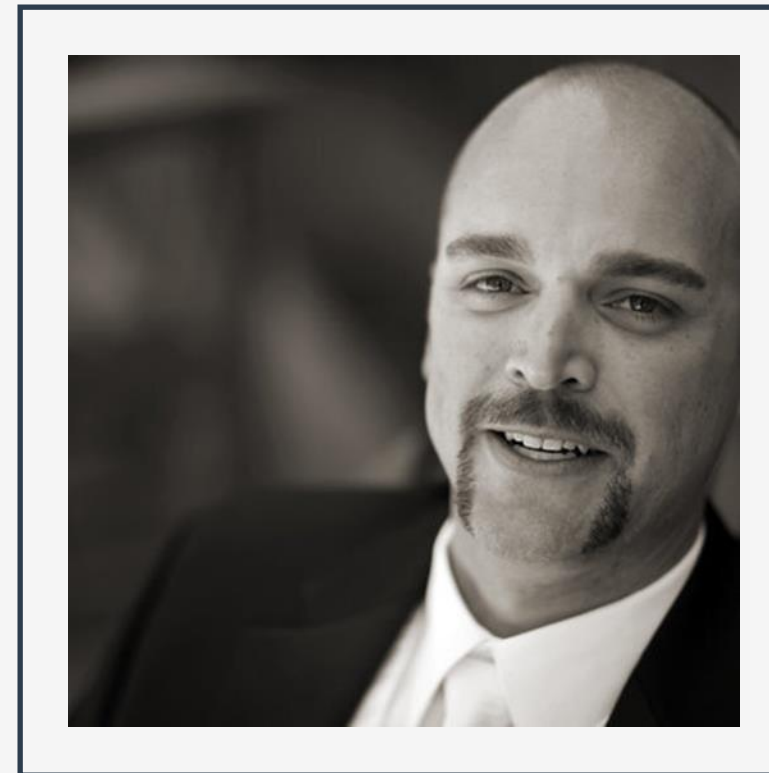
## GET TO KNOW TODAY'S SUBJECT MATTER EXPERTS



### **CRAIG JEFFERY**

Craig Jeffery formed Strategic Treasurer in 2004 to provide corporate, educational, and government entities direct access to comprehensive and current assistance with their treasury and financial process needs.

His 30+ years of financial and treasury experience as a practitioner and as a consultant have uniquely qualified him to help organizations craft realistic goals and achieve significant benefits quickly.



### **VINCENT BEERMAN**

Vincent is Taulia's Senior Director of Product for Platform, Integrations and Data. He works with Taulia's customers (buyers, suppliers and funders) to build tools, data analytics and machine learning insights that empower stakeholders and drive business value.

Vincent believes in a world where all businesses thrive by liberating cash from their supply chains. This starts with clear, timely, flexible analytics and focused, actionable AI insights.

Vincent holds Master of Business and Master of Public Policy degrees from Pepperdine University and a Bachelor of Science in Mechanical Engineering from the University of Colorado. His career has been focused on information architecture and creating systems that engage and motivate humans, from industrial automation to social gaming to b2b security and now trade finance and working capital management.

# TOPICS OF DISCUSSION

## LIQUIDITY CONCERNS DURING A DISRUPTIVE TIME



### SETTING THE STAGE

- COVID-19 Impact
- Concerns with Access
- Plans and Time Spent on Forecasting and Modeling



### SITUATIONS

- Access to Capital
- Limited Levers
- Dramatic Swings
- Using Prior Models
- Counterparty Issues
- Regulations



### REACTION

- How Do We Respond?
- How Do We Prioritize?

# DISRUPTION

## DUE TO COVID-19 – THE FIRST 8 WEEKS

These graphics represent key milestones in the recovery and return to normal times medically and financially. We believe it useful to see others' expectations on the timing of these milestone events for the current disruption.

The length of COVID-19 remaining as a significant health issue extended to 10 months, while expectation of a return to financial normalcy recently receded to eight months.

The rectangles below represent the proportionate amount of responses in each time domain. The tear drops represent the median response from all respondents. The numbers indicate the week of the Monitor.

### INFLECTION POINT

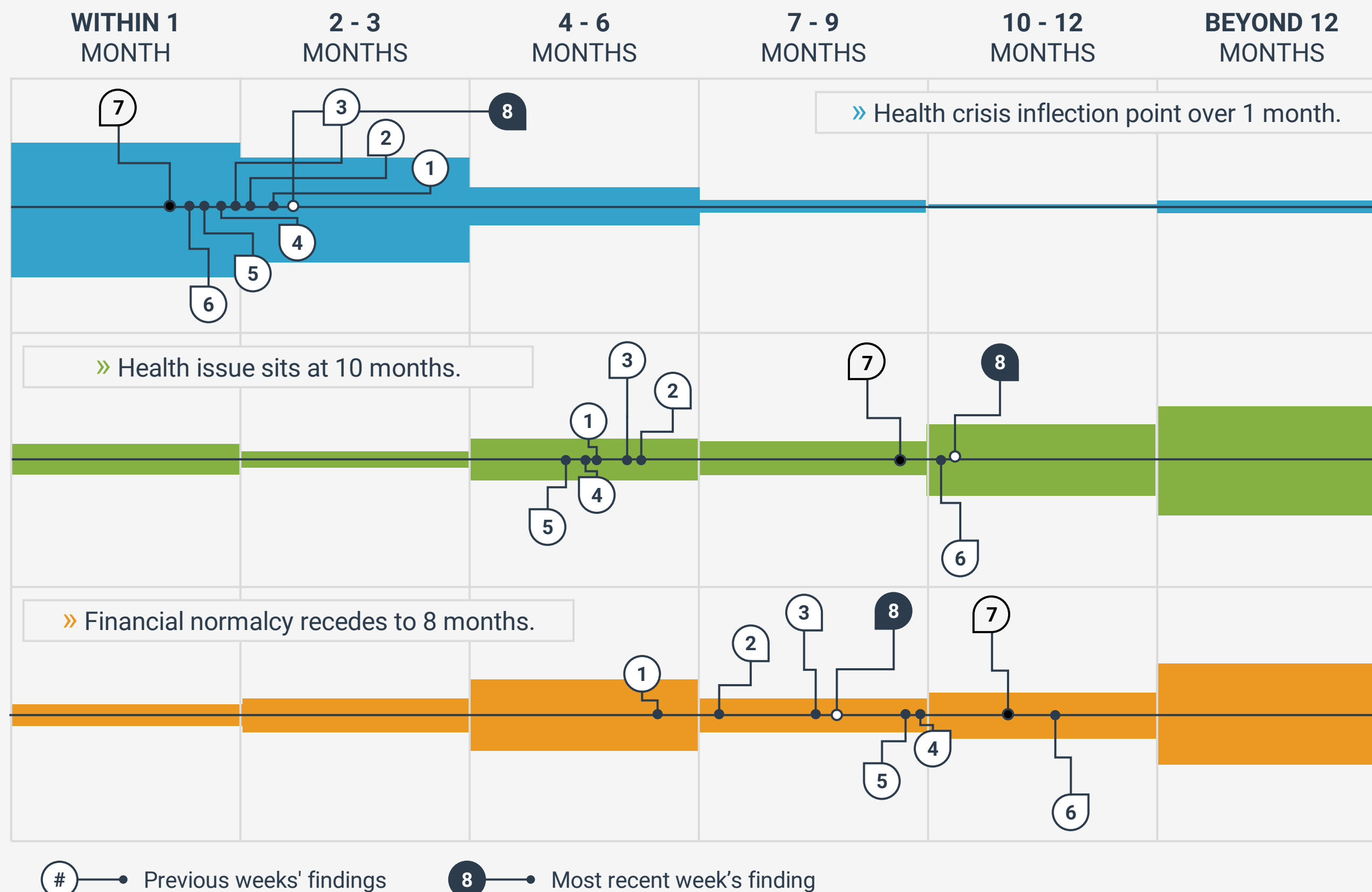
Expected point when the impact of the virus begins to diminish

### END OF HEALTH ISSUE

When the virus is deemed to no longer be a significant health issue

### FINANCIAL NORMALCY

When business returns to the state it was prior to COVID-19



» Health crisis inflection point over 1 month.

» Health issue sits at 10 months.

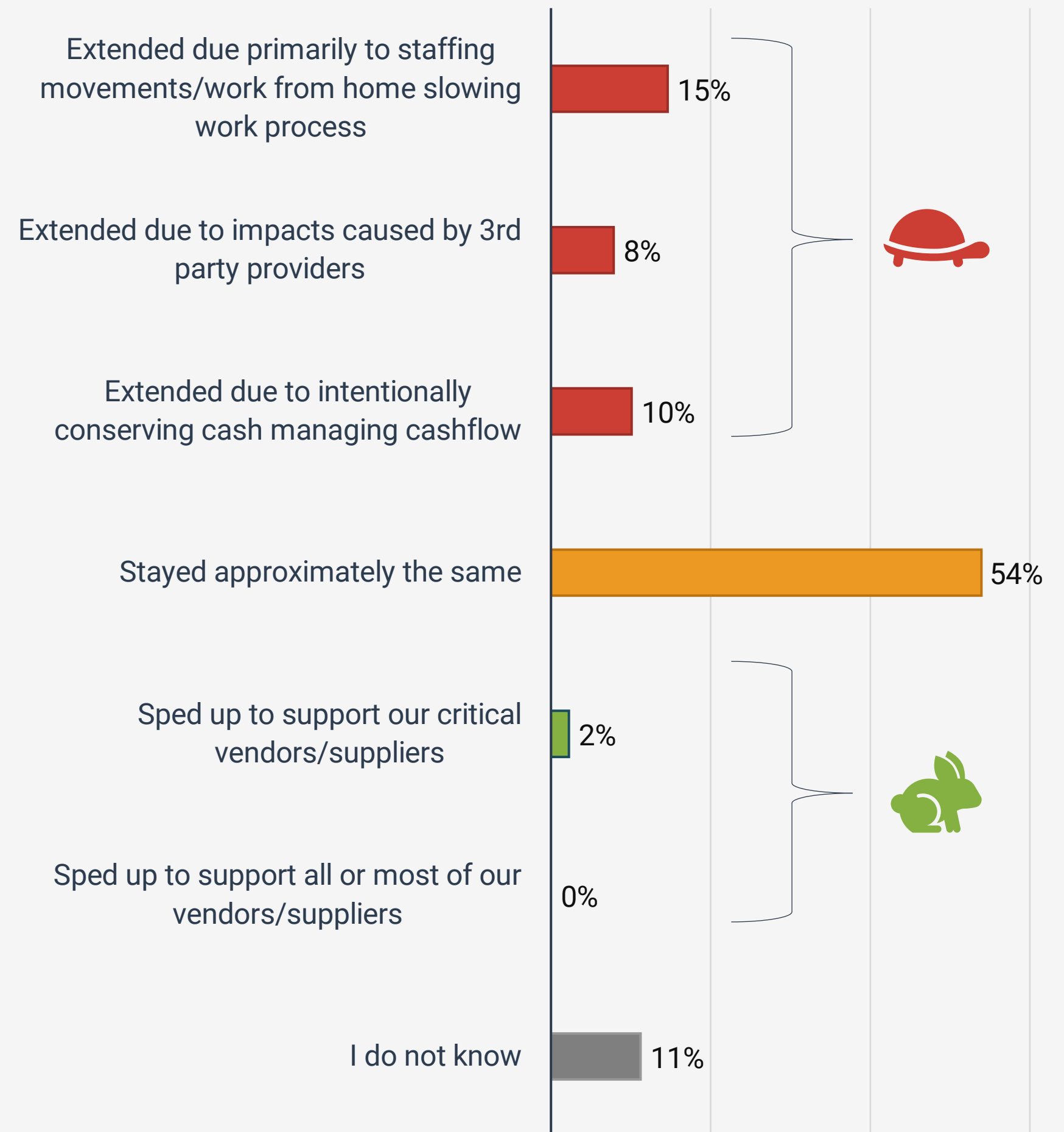
» Financial normalcy recedes to 8 months.

# POLL QUESTIONS

# PAYMENTS SLOW DOWN

33% HAVE EXTENDED PAYMENT TIMING FOR PAYMENT VENDORS AND SUPPLIERS NOW COMPARED TO TYPICAL TIMES

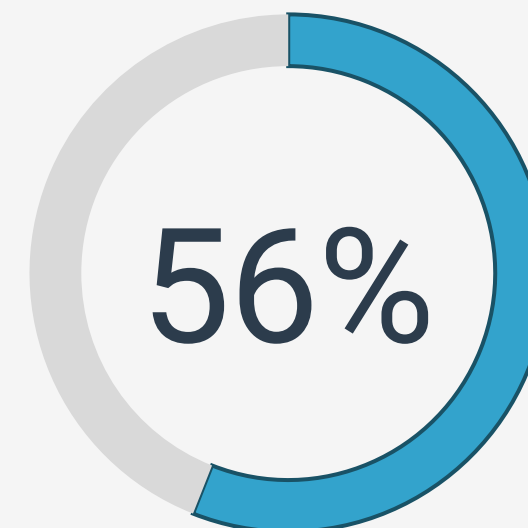
Vendors are experiencing significant, immediate shifts in receivables. This drives a win/lose outcome and can impair key relationships. Concerns about AR liquidity have led the pack during the COVID-19 situation.



# SUPPLIERS LOOKING FOR EARLY PAYMENTS

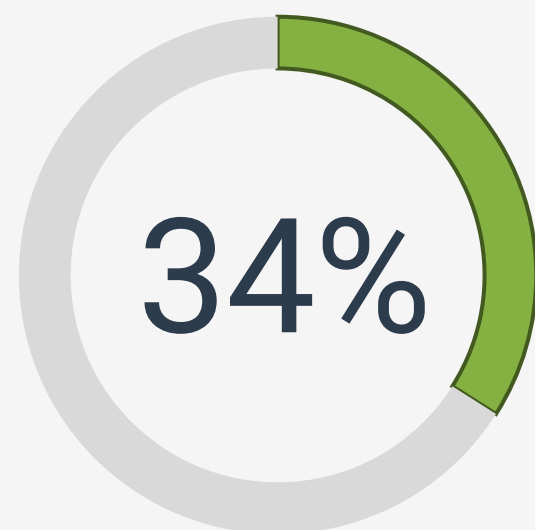
## USED TO BRIDGE THE CASH FLOW GAP

Technology is proving during these uncertain times to be one of the key levers business can pull to differentiate and thrive. Early payments on invoices are helping businesses better manage their working capital to make informed decisions and minimize the disruption caused by late payments.



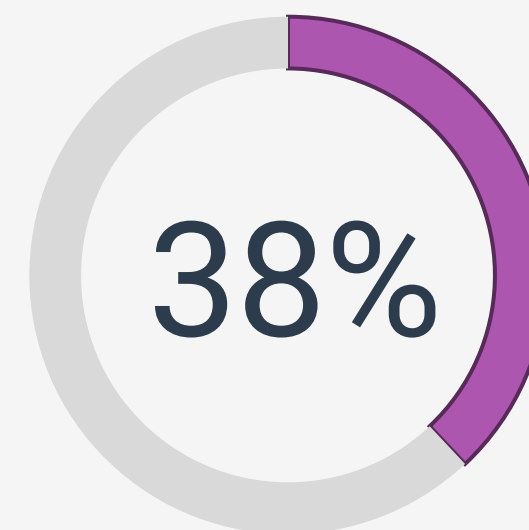
### EARLY IS DESIRED

More than half of respondents want to be paid early at least some of the time.



### USED AS A TOOL

Thirty-four percent of respondents take early payments to help overcome gaps in their cash flow.



### LATE IS NOT UNCOMMON

Three out of eight respondents are paid late on average.

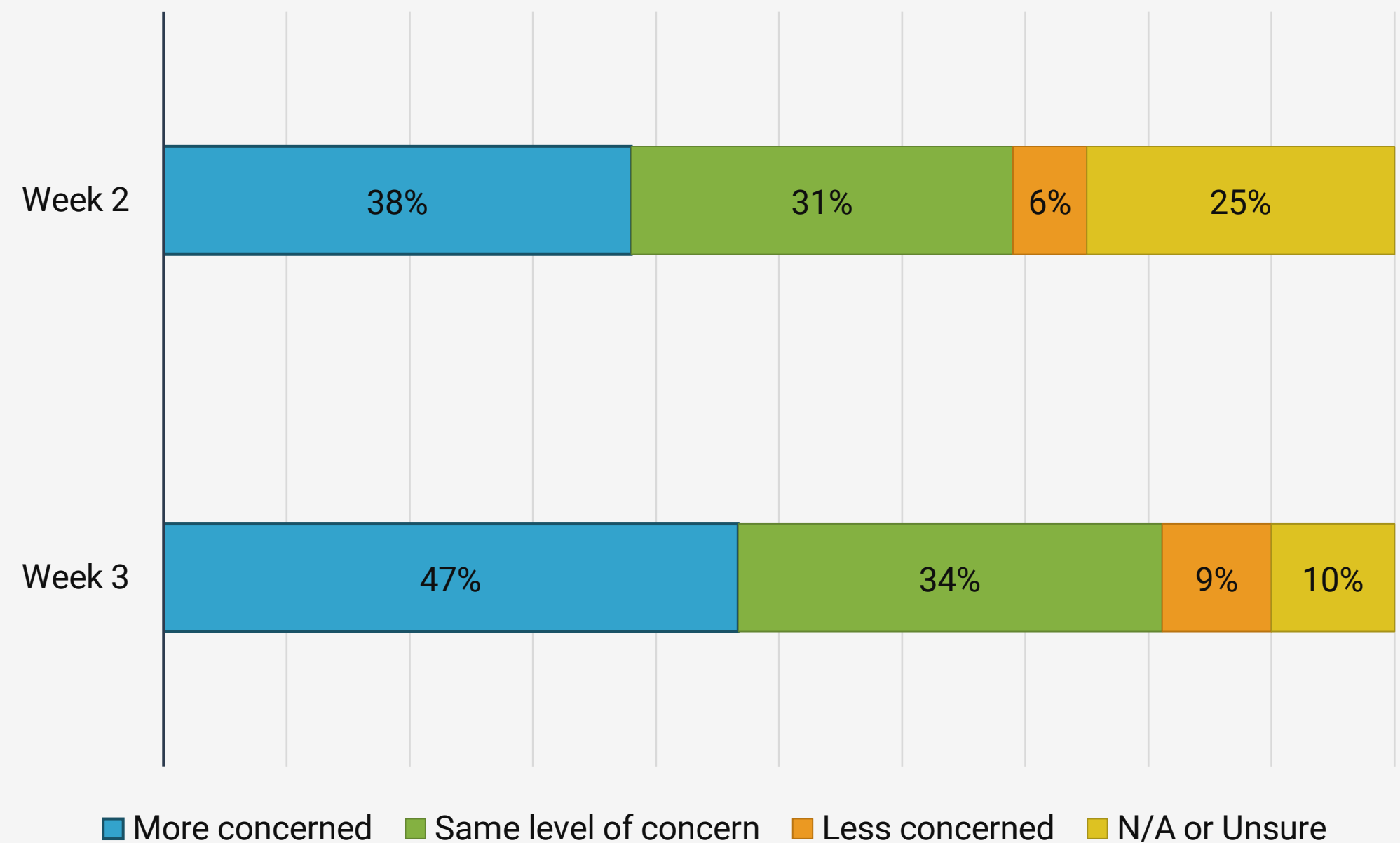
# AR – TOP LEVEL CONCERN

IDENTIFIED EARLY ON AS MOST  
ELEVATED AREA OF CONCERN

Weeks 2 and 3 asked Global Crisis Monitor respondents to indicate how their feelings had changed in the past week on six sources of access to debt and liquidity. Accounts receivable ranked highest both weeks for increasing level of concern.

Responded with More Concerned	Week 2	Week 3
Accounts Receivable	38%	47%
Fiscal policy actions/inactions	27%	29%
Bank link of credit or revolver	21%	22%
Commercial paper issuance	9%	21%
Central bank provided liquidity to banks	12%	18%
Covenant requirements and material adverse conditions	12%	30%

**Accounts Receivable**





# TOP CONCERNS BY WEEK

## FORCE RANKING SEVEN AREAS

Most weeks we ask GCM respondents to rank seven areas. Since we measure this over time, the gauges below show how the industry as a whole is adapting to changes on the ground and how that is alleviating or increasing

their concerns relative to the other categories. Survey questions are cycled in and out in order to keep the total questions of the Monitor low enough to be completed in 5 minutes.

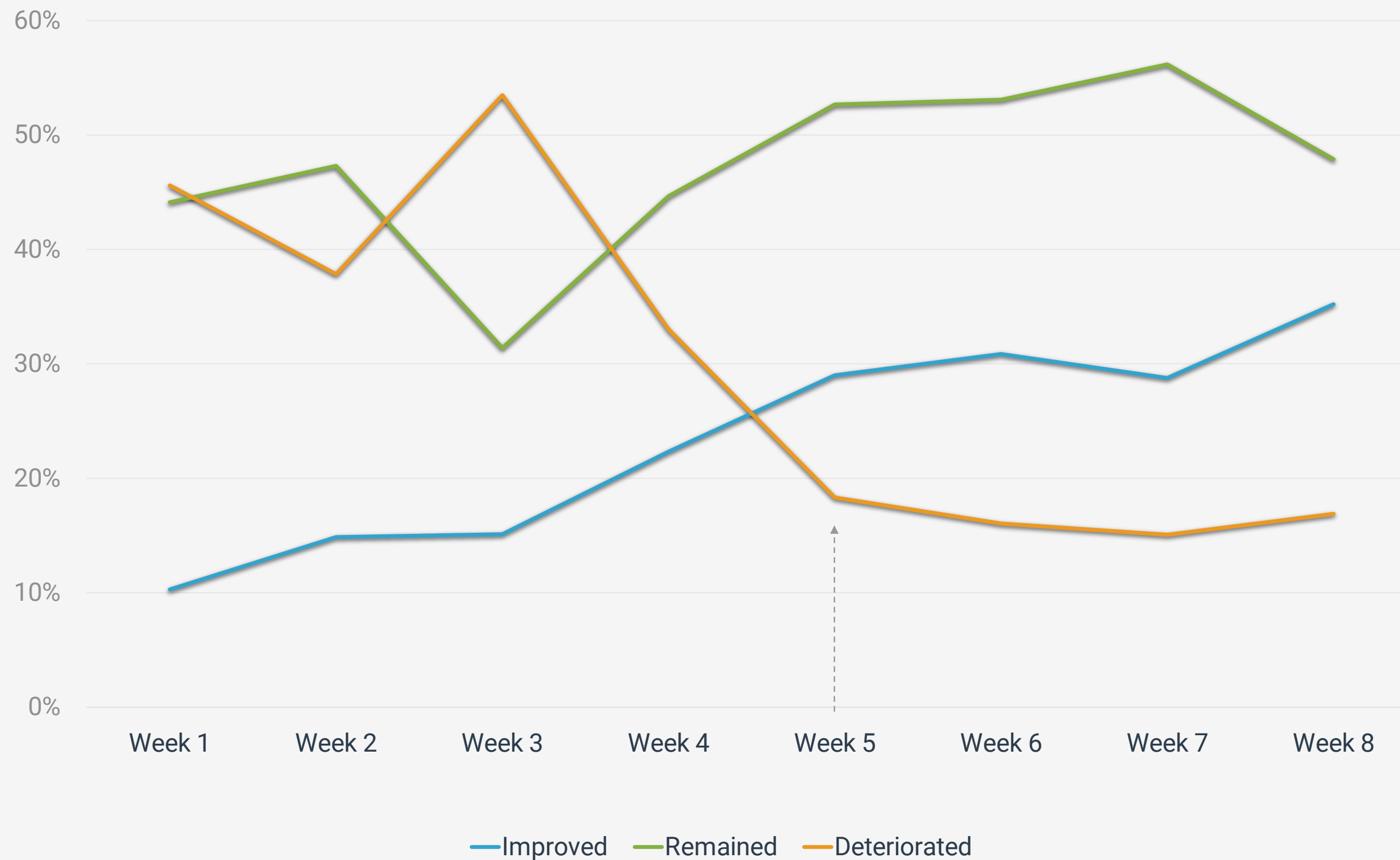
Areas of Inquiry	Week 1	Week 2	Week 3	Week 4	Week 5	Week 6	Week 7	Week 8	Period 9
Business Continuity Plan Completeness	1st	2nd (tie)	Not Asked	3rd	4th	4th	4th (tie)	5th	6th
Staff Safety Protocols	3rd	4th		6th	6th	5th (tie)	6th	7th	2nd
Staff Awareness of Plans	6th (tie)	5th		7th	7th	7th	7th	6th	7th
Country Preparedness	6th (tie)	6th		5th	5th	5th (tie)	4th (tie)	4th	5th
Direct Financial Impact to the Business	2nd	1st		1st (tie)	1st	1st	1st	1st	1st
Access to Adequate Liquidity	4th	2nd (tie)		1st (tie)	2nd	2nd	2nd	3rd	3rd (tie)
Recession in the Regions We Operate In	5th	7th		4th	3rd	3rd	3rd	2nd	3rd (tie)

# POLL QUESTION

# CORPORATE LIQUIDITY

## TRACKING CONCERNS ABOUT INDIVIDUAL CORPORATE LIQUIDITY

» Over the past week, I feel that my organization's outlook for our future liquidity position has:



↑ Notice the shift from negative to positive at week 5.

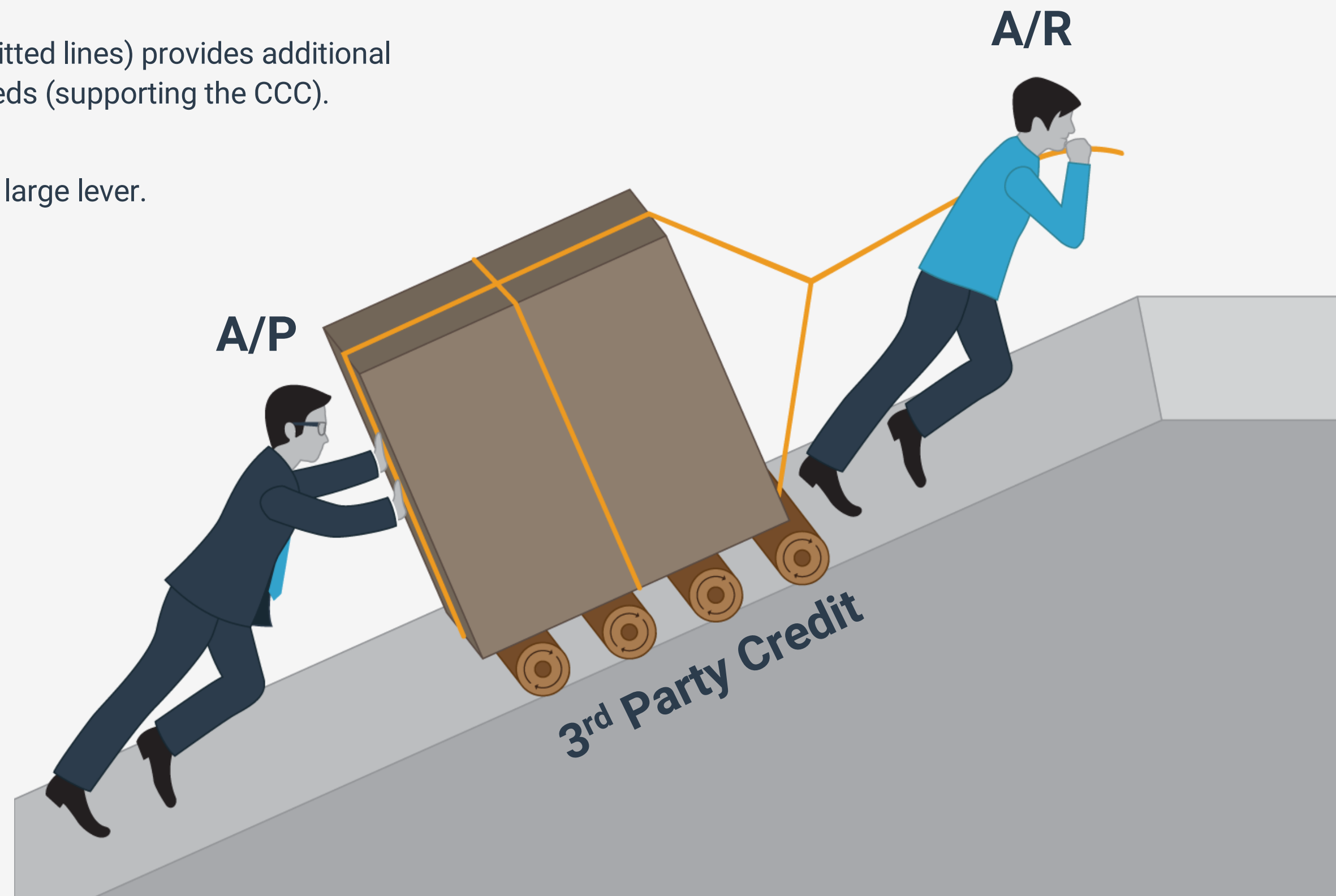
# LIMITED LEVERS

## CASH CONVERSION CYCLE (CCC)

Traditional cash conversion cycle levers to impact working capital levels include AR and AP.

Credit (committed or uncommitted lines) provides additional support for working capital needs (supporting the CCC).

3rd Party Credit offers another large lever.



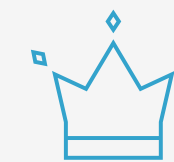
# DRAMATIC SWINGS

## IN LIQUIDITY

Global government bond yields saw mostly double-digit increases in March amid increased volatility fueled by the COVID-19 pandemic and its unprecedented impact on financial markets. This ranged from a low of **0.50%** on March 9 to a high of **1.25%** on March 18.

March 2020						
S	M	T	W	T	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

### IN DRAMATIC TIMES:



**CASH IS KING**



**THERE IS A RUSH TO  
CONVERT TO CASH**



**IT MAY NOT ALWAYS  
BE PRETTY**

# REGULATIONS/COUNTERPARTY ISSUES



## SUPPLY CHAIN MANAGEMENT

- Extending payment terms frees up cash by automatically tapping a vendor's balance sheet.
- This action can harm key suppliers and boomerang back to your firm.
- Monitoring the health of your financial supply chain needs to be coupled with plans to strengthen your key suppliers.

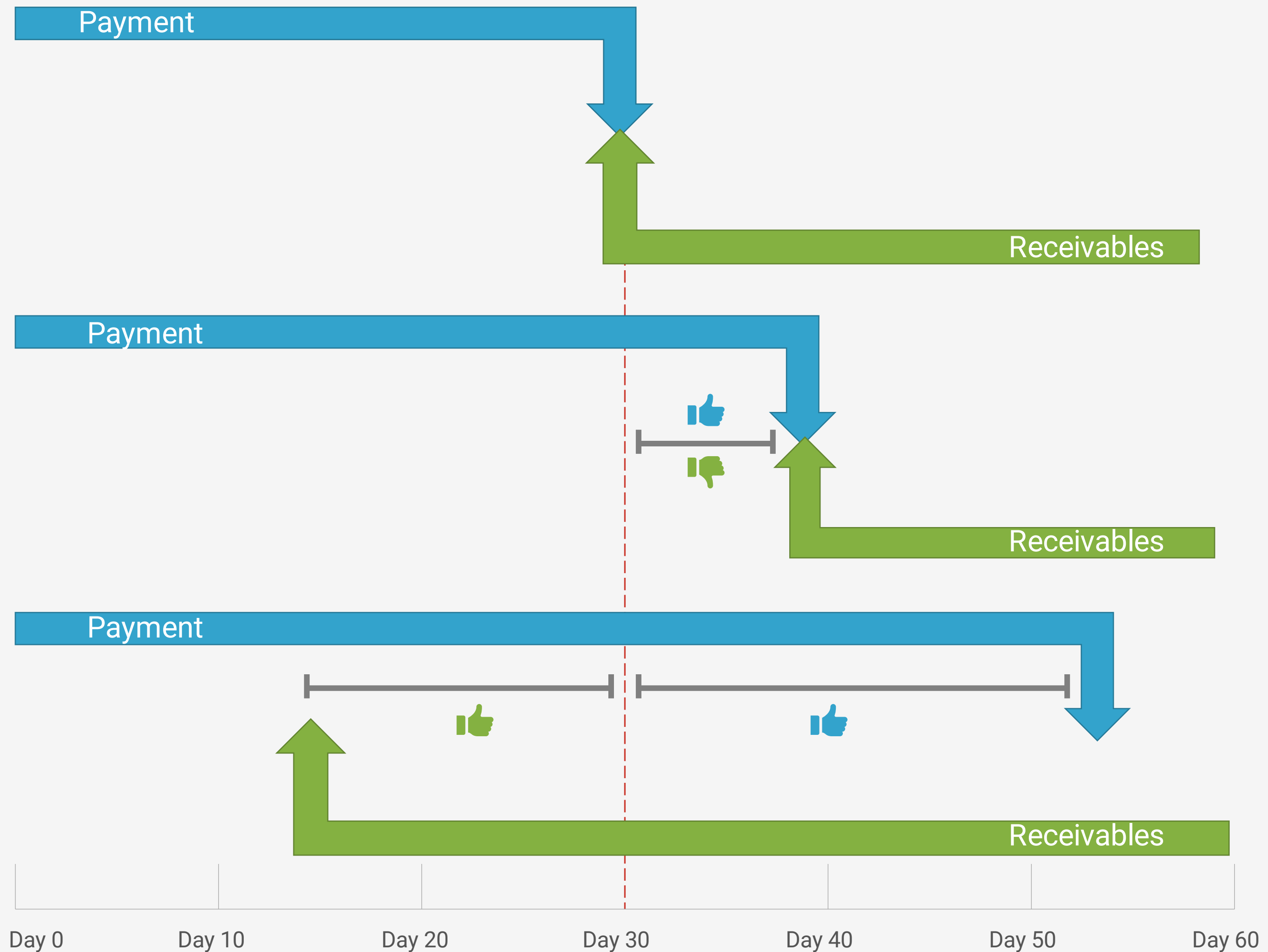


## PROMPT PAYMENT LAWS & FAIR PAYMENT PRACTICES

- United Kingdom
- Australia
- European Union

# REACTION AND OPTIONS

ZERO SUM | BINARY



# HOW DO WE PRIORITIZE?

## RESPONSE PLANS MAKE PRIORITIES CLEAR

Cash is king, and liquidity triage has priorities and not an either/or limitation. Building in flexibility allows for greater capacity during normal times and improved flexibility during disruptive times.



### ENSURING LIQUIDITY

- Keeping our business alive



### ENSURING SUPPLY CHAIN RESILIENCY

- Keeping our suppliers alive



### ENHANCING OUR POSTURE

- Making sure we have more and better levers to succeed



# POLL QUESTION

# ENSURING LIQUIDITY

## USING LEVERS

Forecasting flexibility requires data and the proper use of that data. Leveraging AI for forecasting and layering in strategy and time to think.



**KNOW  
WHERE  
YOU STAND**



**MAXIMIZE  
INVESTED  
CASH**



**FOCUS ON  
STRATEGY**



**FREE UP  
TIME**



**IMPROVE  
ACCURACY**

# ENSURING SUPPLY CHAIN RESILIENCY

THINKING BEYOND YOUR WALLS SYSTEMATICALLY

Optimizing your cash conversion cycle. Maximizing your financial programs (e.g. early payment programs).



**EMPOWER  
DECISION  
MAKING**



**IMPROVE  
PERFORMANCE**



**STRENGTHEN  
YOUR  
STRATEGY**



**MAINTAIN  
COMPLIANCE**



**DRILL DOWN  
TO SPECIFICS**

# ENHANCING OUR POSTURE

## FLEXIBILITY AND RESILIENCY WITH OPTIONS



### BENCHMARK AGAINST PEERS

- What have others realized?
- What is the value in adding flexibility?



### ASSESS OPPORTUNITIES

- How will this impact our financial position?
- Does this align with our plans to strengthen our supply chain partners?
- What does the potential increase in earnings or yield do to our position?



### WEIGH YOUR OPTIONS

- Add flexibility of terms.
- Are we in a position to use our liquidity to support our supply chain?
- How can we optimize the effectiveness of our balance sheet or other sources of liquidity?



### PLAN AHEAD

- Immediately using our levers provides what margin of liquidity?
- How can we leverage liquidity to support our partners?
- What do our phases look like?

# LET'S CONNECT.

DON'T LET THE LEARNING END HERE...  
CONTACT US WITH ANY FUTURE QUESTIONS.

Thank you for your interest in this presentation and for allowing us to support you in your professional development. Strategic Treasurer and our partners believe in the value of continued education and are committed to providing quality resources that keep you well informed.



## STRATEGIC TREASURER

Craig A. Jeffery  
*Managing Partner*

✉ [craig@strategictreasurer.com](mailto:craig@strategictreasurer.com)

📞 678.466.2222



## TAULIA

Vincent Beerman  
*Sr. Director of Product*

✉ [vincent.beerman@taulia.com](mailto:vincent.beerman@taulia.com)

📞 888.987.8085



## TAKE THE GLOBAL RECOVERY MONITOR SURVEY.

Give 5 minutes and help your company and fellow treasury professionals.

