



# 2016 Europe Working Capital Survey



Cash Flow Delivered

A HACKETT GROUP COMPANY

# One Cautious

The 2016 Europe Working Capital Survey and scorecard calculates working capital performance based on the latest publicly available annual financial statements of the largest listed non-financial companies in Europe. This year's survey includes 960 companies and is based on data provided by FactSet.

For the top European companies tracked in REL's Europe Working Capital Survey, 2015 was not a bad year. The average company's cash conversion cycle (CCC) shrank 1.7% year on year as receivables and payables both improved.

But there were some causes for concern. Revenues came at a higher cost than in 2014, with gross margins slipping an average of 13.8%. The earnings before interest and taxes (EBIT) margin fell steeply (-22.1%) and debt rose 8.3%, compared with a 2.9% increase in cash on hand, outpacing revenue growth (+2%) and Europe's GDP (+1.9%).

## A trillion on the table

Net working capital improved relative to revenue growth, only 0.2% against 2% revenue. However, few companies have focused steadily on improving their working capital management. Overall, Europe's largest and most sophisticated companies still have an opportunity to release nearly one trillion euros (€981 billion) now tied up in working capital, the equivalent of 6.7% of European GDP (€4.63 trillion). Better management could represent significant benefits in each area of working capital (payables, €349 billion; inventory, €328 billion; and receivables, €304 billion).

Despite the good macroeconomic news, only 13.2% of the companies surveyed managed to sustain improvement in their cash conversion cycle for three years in a row. Indeed 9% suffered deteriorating CCC performance for three years running. Nor did cash conversion efficiency (CCE, which measures operating cash flow/revenue) improve much. Indeed, CCE showed only marginal improvement for

# Step Forward



the third time around. Despite those slight gains, CCE is still down 3.4% from where it was five years ago, and the average European firm has yet to recover to its 2009 position.

Ultra-low interest rates (0.6%) on loans from the European Central Bank (ECB) are a key cause of their distraction. Total indebtedness has increased from €2.26 trillion to €3.13 trillion since 2010; and, in the last year alone, has risen by 8.3% as companies have taken advantage of the ECB's nearly free money.

“With the ongoing uncertainty that seems likely to follow the Brexit crisis and no guarantee that interest rates will remain low, 2016 may be a particularly opportune time for companies to reduce borrowing and concentrate on generating cash.”

Much of this money went either into capital expenditures, mergers and acquisitions, or dividend payments. Capital expenditures (CAPEX) grew by 5% (€28 billion) in 2015, particularly in biotechnology (+78%) and Internet software and services (+54%), although there were declines in energy services and equipment (-23%) and metals and mining (-14%). Mergers and acquisitions were at a record high, particularly in the pharmaceuticals,



biotechnology and consumer goods sectors. Dividend payouts grew by 5% year on year, increasing substantially in pharmaceuticals, telecommunications and beverages, and continuing a seven-year growth streak.

Companies currently hold the rest of the cash, the equivalent of 11% of revenue. They have a total of €833 billion in cash on hand, but the holdings are far from evenly distributed: just nine companies account for €164 billion, 20% of the total.

But as the many U.S. companies that have also piled on low-interest debt this year are learning, even nearly free money comes at a price. European companies that added 50% or more to their debt in 2015 suffered a 20% increase in their cash conversion cycle. Slower conversion and an upward trend in total debt (with above average overall debt and lower average cash on hand for these companies) suggest that European companies have made themselves much more vulnerable in the event of a major shock or disruption to their business.

### **Countries and sectors swing further**

The 1.7% average improvement of all the companies surveyed encompasses much sharper positive and negative sectoral and regional swings.

Industry leaders included companies in marine shipping, which saw their CCC improve to -9 days in 2015 from -1 day; Internet software and services, which rose to -5 days from 4 days; and household and personal care, which climbed to 2 days from 6 days. The most dramatic negative changes were suffered by companies in Internet and catalog retail, which fell to -3 days

from -11 days; wireless telecommunications, which dropped to -75 days from -91 days; and wholesale distribution, which lost two days, rising to 14 from 12 days. The largest nominal loss was semiconductors and equipment, which added 17 days to its CCC total, bloating to 157 days from 140.

Country performance also varied dramatically. Belgian companies in the ranking topped the list for CCC with -9 days, a 6 day improvement in overall performance in 2015, followed by Spain (9 days) and Portugal (10 days). CCC stragglers include Finland (77 days), Sweden (72 days) and Ireland (57 days). Both Belgium and Spain have longer payment terms with suppliers. However, Belgium has higher inventory levels than Spain but better performing customer payments. High inventory levels and less advantageous customer and supplier payment terms have given Sweden and Finland the highest CCC in Europe.

It should be noted that the regional best performers have all improved in recent years. Belgian companies, for instance, saw their CCC rise to -9 days from -3, and the Spanish CCC two-day gain to 9 from 11 days. Overall, only four of the 18 countries tracked by REL improved their CCC over the past five years: France, Portugal, Spain and Greece. This is cause for concern, as it appears that these countries have focused on working capital only once they were in the midst of the European debt crisis. Companies based in other at risk countries shouldn't draw the wrong lesson from their example: after all, it's generally easier to fix the roof when the sun is shining.

### **Opportunity amid crisis?**

What should companies expect this year? The likeliest scenario is for more CCC improvement. As we forecast in 2015, we believe that the trend toward faster cash conversion will continue. However, if as expected many of the largest European companies continue to gorge on debt, their overall risks will increase.

Improving working capital practices is always a good idea, but with the ongoing uncertainty that seems likely to follow the Brexit crisis and no guarantee that interest rates will remain low, 2016 may be a particularly opportune time for companies to reduce borrowing and concentrate on generating cash through tighter working capital management. At the very least, it seems prudent to strengthen internal processes and policies around working capital to enable sustainable cash flow improvement and to minimise the cash impact of any potential deterioration in trading conditions.

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companies in working capital management by 2015 CCC

COMPANY	COUNTRY	CCC			DSO			DIO			DPO		
		2015	1 YR% CHANGE	2014	2015	1 YR% CHANGE	2014	2015	1 YR% CHANGE	2014	2015	1 YR% CHANGE	2014
<b>Aerospace and Defense Industry</b>													
Constructions Navales Industrielles de la Mediterranee	FR	45	-9%	50	88	-15%	103	25	-7%	27	68	-16%	81
BAE Systems plc	UK	51	-12%	58	50	-9%	55	22	-10%	24	20	-1%	21
LISI SA	FR	61	-20%	76	44	-14%	51	100	-5%	105	82	3%	80
Kongsberg Gruppen ASA	NO	214	19%	180	128	10%	117	122	30%	94	36	19%	30
Finmeccanica SpA	IT	215	-8%	233	179	-18%	218	139	-6%	149	103	-23%	134
Dassault Aviation SA	FR	436	17%	372	39	-21%	49	467	16%	402	70	-13%	80
Median Performance		136	-3%	140	78	2%	77	107	1%	107	66	3%	64
<b>Air Freight and Logistics Industry</b>													
Deutsche Post AG	DE	(3)	-205%	(1)	43	-7%	47	2	-20%	3	49	-3%	50
PostNL NV	NL	16	-13%	18	36	-5%	38	1	-3%	1	20	3%	20
bpost SA	BE	24	41%	17	58	6%	55	2	-10%	2	36	-10%	41
CTT - Correios de Portugal, SA	PT	25	-6%	27	64	-6%	68	3	-18%	4	43	-7%	46
Panalpina Welttransport (Holding) AG	CH	28	-5%	30	58	-5%	62	NM	NM	NM	30	-6%	32
TNT Express NV	NL	30	9%	27	57	5%	55	1	-12%	1	28	1%	28
Median Performance		24	9%	23	58	5%	55	2	-10%	2	33	-8%	36
<b>Airlines Industry</b>													
International Consolidated Airlines Group SA	UK	(13)	-21%	(11)	19	-16%	23	11	12%	10	43	0%	43
SAS AB	SE	(7)	16%	(8)	11	15%	10	5	-3%	6	24	0%	24
Air France-KLM SA	FR	(2)	56%	(4)	25	0%	25	10	-7%	11	37	-8%	40
Deutsche Lufthansa AG	DE	5	-4%	5	36	-6%	39	11	4%	10	42	-4%	44
Median Performance		(6)	-32%	(8)	19	-16%	23	10	2%	10	37	-8%	40
<b>Automotive Parts &amp; Aftermarket Industry</b>													
CIE Automotive, S.A.	ES	(30)	-207%	(10)	48	4%	46	52	-12%	60	130	13%	115
Faurecia SA	FR	(16)	-6%	(15)	33	-9%	36	26	-6%	28	76	-5%	80
Valeo SA	FR	(16)	-6%	(15)	49	2%	48	37	9%	34	102	5%	97
Compagnie Generale des Etablissements Michelin SCA	FR	106	-6%	112	47	-2%	48	125	-3%	129	67	3%	65
ElringKlinger AG	DE	151	-4%	157	70	3%	67	111	-5%	117	30	7%	28
Nokian Renkaat Oyj	FI	213	2%	209	96	4%	92	147	-2%	150	30	-9%	33
Median Performance		44	14%	38	49	0%	49	51	-12%	58	64	-1%	65
<b>Beverages Industry</b>													
Anheuser-Busch InBev SA	BE	(190)	-16%	(164)	28	-3%	29	71	-1%	72	289	9%	265
Carlsberg A/S	DK	(70)	-30%	(53)	32	-18%	39	46	-17%	55	147	0%	147
Royal Unibrew A/S	DK	(50)	-29%	(39)	31	9%	29	43	2%	42	125	14%	110
Davide Campari-Milano S.p.A.	IT	210	1%	208	65	-11%	73	258	3%	251	112	-3%	116
Diageo plc	UK	331	1%	328	70	-6%	74	324	0%	323	62	-10%	69
Pernod Ricard SA	FR	607	15%	526	49	2%	48	816	19%	684	259	26%	206
Median Performance		23	-9%	26	44	1%	44	51	-4%	54	119	5%	113

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		2015	1 YR% CHANGE	2014	2015	1 YR% CHANGE	2014	2015	1 YR% CHANGE	2014	2015	1 YR% CHANGE	2014
<b>Biotechnology Industry</b>													
Actelion Ltd.	CH	9	-75%	37	65	1%	64	160	26%	127	216	40%	154
Lonza Group AG	CH	144	-15%	169	51	-20%	63	138	-8%	150	45	3%	44
Novozymes A/S	DK	145	-4%	150	67	1%	66	163	-6%	173	85	-5%	89
Grifols, S.A.	ES	231	1%	229	34	-38%	54	276	0%	277	79	-22%	102
Median Performance		144	-10%	160	58	-9%	64	161	0%	162	82	-14%	96
<b>Building Products Industry</b>													
ALNO AG	DE	4	-26%	5	42	8%	39	25	-13%	29	64	1%	63
Inwido AB	SE	35	-11%	39	30	0%	30	39	-5%	41	34	7%	32
Hamon & Cie SA	BE	44	2%	43	121	6%	115	6	-39%	10	84	2%	82
ITAB Shop Concept AB	SE	102	-17%	122	52	-14%	61	88	-16%	104	38	-12%	43
Villeroy & Boch AG	DE	119	3%	115	54	5%	52	133	4%	128	68	6%	65
Wienerberger AG	AT	120	6%	114	25	-13%	28	151	5%	144	55	-6%	59
Median Performance		69	-5%	73	53	1%	52	68	5%	65	48	2%	47
<b>Chemicals Industry</b>													
Linde AG	DE	(17)	22%	(22)	55	-15%	66	45	5%	43	118	-10%	131
HEXPOL AB	SE	12	-17%	15	35	-7%	37	31	4%	30	53	2%	52
Ercros, S.A.	ES	13	2318%	1	67	-5%	70	56	7%	52	110	-10%	122
SGL Carbon SE	DE	153	2%	150	41	-14%	48	172	4%	165	60	-4%	63
Syngenta AG	CH	174	2%	171	115	17%	98	249	-3%	257	190	3%	183
Corticeira Amorim SGPS SA	PT	191	4%	184	80	0%	80	199	3%	193	88	0%	88
Median Performance		75	2%	73	53	2%	52	77	-1%	78	51	0%	51
<b>Commercial Services and Supplies Industry</b>													
Thomas Cook Group plc	UK	(63)	-23%	(51)	9	-16%	11	2	-2%	2	74	15%	64
TUI AG	DE	(35)	17%	(42)	13	-1%	14	20	4%	19	68	-9%	75
Intrum Justitia AB	SE	(33)	-4%	(32)	57	-4%	59	NM	NM	NM	90	-1%	91
Synergie SA	FR	80	-3%	82	82	-3%	84	NM	NM	NM	3	-2%	3
Poeyry Oyj	FI	97	-10%	108	113	-9%	124	NM	NM	NM	16	2%	16
Edenred SA	FR	306	-16%	365	355	-10%	394	15	77%	8	64	72%	37
Median Performance		34	-5%	36	57	-2%	58	14	22%	12	25	5%	24
<b>Computer &amp; Hardware Industry</b>													
Seagate Technology public Ltd, Co.	IE	26	13%	23	49	9%	46	42	8%	39	66	6%	62
Median Performance		26	13%	23	49	9%	46	42	8%	39	66	6%	62
<b>Construction and Engineering Industry</b>													
CEMEX Latam Holdings SA	ES	12	-58%	28	24	-16%	28	53	3%	51	65	27%	52
HeidelbergCement AG	DE	33	7%	31	33	8%	31	60	-3%	62	60	-2%	62
LafargeHolcim Ltd.	CH	34	9%	31	52	21%	43	87	20%	73	106	25%	84
Marshalls plc	UK	78	-7%	84	35	53%	23	100	-12%	113	57	9%	52
Vicat SA	FR	79	5%	75	56	4%	54	75	2%	74	52	0%	52
Cementos Portland Valderrivas, S.A.	ES	145	0%	144	54	0%	55	158	12%	141	67	30%	51
Median Performance		58	-17%	70	50	17%	43	72	-2%	74	59	12%	52

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		2015	1 YR% CHANGE	2014	2015	1 YR% CHANGE	2014	2015	1 YR% CHANGE	2014	2015	1 YR% CHANGE	2014
<b>Consumer Durables Industry</b>													
DFS Furniture plc	UK	(18)	-5%	(17)	6	-2%	6	19	-7%	20	43	-1%	44
Electrolux AB	SE	5	-76%	19	54	-17%	65	57	-1%	57	105	3%	103
Steinhoff International Holdings NV	NL	8	-61%	22	30	-24%	40	110	31%	84	131	29%	101
Hunter Douglas N.V.	NL	164	-7%	177	51	-10%	56	154	-7%	165	40	-10%	45
Societe BIC SA	FR	195	-7%	209	67	-14%	78	173	-4%	180	45	-7%	49
Swatch Group AG	CH	511	1%	504	42	-10%	47	499	2%	488	30	-2%	30
Median Performance		74	-4%	77	42	-9%	46	107	0%	107	49	-4%	50
<b>Containers and Packaging Industry</b>													
Papeles y Cartones de Europa, S.A.	ES	(29)	21%	(37)	27	83%	15	53	-4%	56	110	2%	108
Rexam PLC	UK	26	-16%	31	34	-11%	39	67	0%	67	76	1%	76
Smurfit Kappa Group Plc	IE	37	-7%	40	57	4%	55	51	4%	49	72	11%	65
Vidrala, S.A.	ES	138	-7%	148	89	9%	81	156	-10%	173	107	1%	107
Vetropack Holding AG	CH	141	19%	118	66	16%	57	152	24%	122	77	26%	61
Viscofan, S.A.	ES	200	3%	194	64	-4%	66	176	5%	168	40	0%	40
Median Performance		70	5%	66	57	6%	54	70	4%	67	69	12%	62
<b>Electrical Products Industry</b>													
Gamesa Corporacion Tecnologica, S.A.	ES	(41)	0%	(41)	112	-22%	144	108	16%	93	260	-6%	277
Nordex SE	DE	35	-44%	63	41	6%	39	39	-43%	67	45	3%	43
PKC Group Oyj	FI	36	22%	30	43	10%	39	45	11%	40	51	3%	50
NIBE Industrier AB	SE	107	-12%	122	46	-8%	50	102	-11%	114	40	-3%	41
Areva SA	FR	122	-57%	286	82	-57%	192	130	-56%	297	90	-56%	203
Spectris plc	UK	145	2%	141	64	0%	64	135	-3%	139	54	-12%	62
Median Performance		78	0%	78	62	-4%	65	84	-15%	99	65	-6%	70
<b>Electronic Equipment, Instruments and Components Industry</b>													
Datalogic S.p.A.	IT	3	-60%	7	46	-17%	55	93	-8%	100	136	-8%	148
Esprinet S.p.A.	IT	4	-64%	11	34	-23%	44	45	3%	44	75	-2%	77
Ingenico Group SA	FR	18	-2%	18	67	-23%	87	46	-17%	55	95	-23%	124
Agfa-Gevaert NV	BE	135	1%	134	71	-5%	75	107	0%	107	43	-10%	48
JENOPTIK AG	DE	170	-14%	197	66	-8%	72	145	-19%	178	41	-22%	53
Renishaw plc	UK	227	-1%	228	80	-8%	88	202	0%	201	55	-9%	60
Median Performance		77	3%	74	66	-4%	68	76	-12%	87	60	-9%	66
<b>Energy Equipment and Services Industry</b>													
TGS-NOPEC Geophysical Co. ASA	NO	(469)	17%	(568)	82	-22%	106	NM	NM	NM	552	-18%	673
Tecnicas Reunidas SA	ES	(81)	-17%	(69)	184	31%	141	2	(0)	3	267	25%	213
Subsea 7 S.A.	UK	(11)	-249%	7	52	-4%	54	6	-27%	8	68	25%	55
Petrofac Limited	UK	180	-24%	236	86	-34%	130	123	-18%	151	29	-36%	45
Frank's International NV	NL	213	-24%	280	80	-35%	124	144	-16%	170	11	-17%	14
SBM Offshore NV	NL	605	144%	248	637	134%	272	2	85%	1	33	32%	25
Median Performance		62	-3%	64	81	-7%	87	33	19%	27	45	-20%	56

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		2015	1 YR% CHANGE	2014	2015	1 YR% CHANGE	2014	2015	1 YR% CHANGE	2014	2015	1 YR% CHANGE	2014
<b>Engineering &amp; Construction Industry</b>													
Abengoa S.A.	ES	(201)	27%	(275)	79	8%	73	25	19%	21	305	-17%	369
Compagnie d'Entreprises CFE SA	BE	(36)	-15%	(31)	106	24%	86	10	-19%	12	153	18%	129
VINCI SA	FR	(23)	1%	(23)	52	-1%	52	11	3%	11	86	-1%	86
Galliford Try PLC	UK	207	-5%	217	73	24%	59	185	-12%	209	51	0%	51
Ansaldo STS SpA	IT	282	41%	200	266	-6%	284	146	330%	34	130	10%	118
YIT Oyj	FI	397	-9%	436	22	-28%	31	408	-6%	433	33	17%	28
Median Performance		48	-18%	58	77	0%	77	25	6%	24	56	6%	53
<b>Food Industry</b>													
Greencore Group Plc	IE	(41)	5%	(43)	29	4%	28	24	-1%	24	93	-1%	95
Nestle S.A.	CH	(37)	-38%	(27)	39	-5%	41	70	-7%	76	147	2%	144
Danone SA	FR	(31)	14%	(37)	36	11%	33	48	2%	47	115	-1%	116
KWS SAAT SE	DE	231	23%	188	115	-3%	118	169	37%	123	53	1%	53
Marine Harvest ASA	NO	242	11%	218	48	8%	45	234	13%	207	41	21%	34
Vilmorin & Cie SA	FR	244	19%	205	98	1%	97	277	20%	232	131	6%	123
Median Performance		59	-4%	61	45	-6%	48	61	0%	61	53	-1%	53
<b>Food &amp; Staples Retail Industry</b>													
Jeronimo Martins, SGPS S.A.	PT	(57)	1%	(57)	1	-3%	1	22	3%	21	80	0%	80
Distribuidora Internacional de Alimentacion SA	ES	(35)	27%	(48)	9	-19%	11	26	-9%	29	70	-20%	88
Carrefour SA	FR	(33)	0%	(33)	11	-3%	11	38	0%	38	82	-1%	82
Kesko Oyj	FI	22	-4%	23	24	4%	24	33	-1%	34	36	5%	34
Fyffes Plc	IE	39	-1%	39	35	12%	31	35	4%	33	31	21%	25
MARR SpA	IT	59	1%	58	93	-2%	95	48	2%	47	83	-1%	84
Median Performance		(13)	4%	(13)	9	-5%	9	30	-2%	30	52	10%	47
<b>General &amp; Specialty Retail Industry</b>													
Applegreen plc	IE	(30)	-11%	(28)	1	22%	1	9	11%	8	41	11%	37
Groupe FNAC SA	FR	(27)	-41%	(20)	10	-19%	12	50	0%	50	87	7%	82
JD Sports Fashion Plc	UK	(23)	-142%	56	11	259%	3	93	-21%	118	127	94%	65
HUGO BOSS AG	DE	144	0%	144	31	-12%	36	215	1%	214	102	-3%	105
LVMH Moet Hennessy Louis Vuitton SE	FR	235	-9%	259	26	-5%	27	341	-8%	370	132	-5%	139
Folli Follie S.A.	GR	479	13%	425	179	-8%	195	347	8%	320	48	-47%	90
Median Performance		37	-7%	40	10	-11%	11	75	2%	74	64	-2%	65
<b>Healthcare Services Industry</b>													
Oriola-KD Oyj	FI	(44)	-15%	(38)	44	8%	40	51	8%	47	139	10%	126
Korian SA	FR	(20)	10%	(23)	22	-7%	23	2	6%	1	44	-8%	48
Ramsay Generale de Sante SA	FR	(17)	-64%	(10)	25	14%	22	14	1%	14	56	22%	46
UDG Healthcare Plc	IE	60	-27%	82	59	-63%	160	36	-72%	126	34	-83%	204
Fresenius SE & Co. KGaA	DE	93	-4%	97	61	-9%	67	58	5%	55	26	5%	25
Fresenius Medical Care AG & Co. KGaA	DE	99	-4%	104	73	-10%	81	48	6%	45	22	-3%	23
Median Performance		25	2%	25	44	6%	42	15	-5%	16	34	-1%	34

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<b>Homebuilding Industry</b>													
Kaufman & Broad SA	FR	(7)	26%	(9)	114	0%	113	140	6%	132	260	2%	254
SRV Yhtiöt Oyj	FI	193	1%	192	36	25%	29	181	3%	175	24	90%	12
JM AB	SE	288	34%	215	62	42%	43	256	16%	221	31	-38%	49
Bellway p.l.c.	UK	566	1%	559	6	10%	5	621	6%	588	61	77%	34
Redrow plc	UK	578	1%	573	5	-42%	9	671	3%	652	99	13%	88
Etalon Group Ltd.	UK	842	84%	457	60	89%	32	819	75%	469	37	-16%	44
Median Performance		513	6%	483	18	10%	17	584	15%	508	63	-20%	79
<b>Hotels, Restaurants &amp; Recreation Industry</b>													
William Hill PLC	UK	(101)	27%	(139)	1	-46%	2	0	-26%	0	103	-27%	141
Codere, S.A.	ES	(93)	29%	(131)	9	11%	8	13	-2%	13	115	-24%	153
Accor SA	FR	(82)	-6%	(78)	28	1%	28	6	31%	4	116	6%	110
INTRALOT SA	GR	21	3%	20	23	-11%	26	10	-21%	13	12	-33%	18
Pierre & Vacances SA	FR	22	-64%	60	55	-36%	86	60	-23%	78	94	-10%	104
InterContinental Hotels Group PLC	UK	24	-1%	25	73	4%	70	2	8%	2	51	7%	48
Median Performance		(20)	18%	(17)	15	-10%	17	8	-14%	9	40	-3%	42
<b>Household &amp; Personal Care Industry</b>													
L'Oreal SA	FR	(34)	-42%	(24)	52	-2%	53	141	-4%	147	227	1%	224
Unilever NV	NL	(29)	-16%	(25)	20	-6%	21	54	-4%	56	103	1%	102
Henkel AG & Co. KGaA	DE	1	-52%	2	59	-3%	61	70	-5%	74	129	-4%	134
Safilo Group S.p.A.	IT	94	-16%	113	70	-16%	82	186	-9%	205	161	-8%	175
Givaudan SA	CH	124	-7%	133	73	-4%	76	114	-9%	126	64	-7%	69
Orflame Holding AG	CH	135	0%	136	13	-7%	14	168	2%	164	46	8%	42
Median Performance		21	-36%	32	53	-3%	55	88	-6%	94	109	2%	107
<b>Industrial Conglomerates Industry</b>													
Grupo Empresarial San Jose, S.A.	ES	(70)	-7%	(65)	143	-16%	171	78	1%	77	292	-7%	314
COFIDE-Gruppo De Benedetti S.p.A.	IT	16	-17%	20	60	-9%	66	29	5%	28	73	-2%	74
Compagnie Industriali Riunite SpA	IT	17	-13%	20	60	-9%	66	29	5%	28	72	-3%	74
Sulzer AG	CH	133	-6%	142	103	-6%	110	90	-10%	100	60	-12%	68
Siemens AG	DE	135	12%	121	67	4%	64	123	8%	114	55	-3%	57
Smiths Group Plc	UK	145	10%	133	75	0%	75	122	13%	108	52	3%	50
Median Performance		78	-24%	102	69	5%	66	78	-7%	84	63	-8%	68
<b>Information Technology Services Industry</b>													
Wirecard AG	DE	(81)	18%	(98)	212	-2%	215	3	-16%	4	295	-7%	317
Amadeus IT Holding SA	ES	(72)	10%	(80)	29	-6%	31	NM	NM	NM	101	-9%	111
Equiniti Group Plc	UK	(1)	-103%	27	28	-40%	47	NM	NM	NM	29	49%	20
Alten SA	FR	103	-5%	109	118	-4%	123	0	-1%	0	15	4%	14
OHB AG	DE	138	-15%	162	166	0%	166	31	-27%	43	59	24%	47
Hexagon AB	SE	165	0%	165	87	1%	86	128	-5%	135	50	-10%	56
Median Performance		46	-4%	48	73	-9%	80	8	-1%	8	40	-14%	46

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		2015	1 YR% CHANGE	2014	2015	1 YR% CHANGE	2014	2015	1 YR% CHANGE	2014	2015	1 YR% CHANGE	2014
<b>Internet &amp; Catalog Retail Industry</b>													
Cnova NV	NL	(82)	12%	(93)	14	-7%	15	50	-1%	51	146	-8%	158
Zalando SE	DE	(14)	18%	(17)	18	-20%	23	113	10%	103	145	1%	143
Ocado Group PLC	UK	(7)	53%	(16)	10	168%	4	16	-4%	16	33	-8%	36
zooplus AG	DE	44	-17%	53	7	-14%	8	60	-7%	65	24	15%	21
YOOX Net-A-Porter S.p.A.	IT	80	29%	62	12	21%	10	340	41%	242	272	43%	190
N Brown Group plc	UK	209	-11%	236	207	-17%	251	90	-12%	103	89	-25%	118
Median Performance		9	441%	2	12	17%	11	58	9%	54	65	-7%	70
<b>Internet Software &amp; Services Industry</b>													
Iliad SA	FR	(140)	-93%	(73)	37	9%	34	3	-5%	4	181	64%	110
Yandex NV	NL	(83)	-35%	(61)	29	56%	19	NM	NM	NM	112	40%	80
Global Dominion Access SA	ES	(76)	-115%	(35)	96	-27%	130	23	-17%	28	195	1%	194
Software AG	DE	39	-16%	47	96	7%	90	NM	NM	0	57	31%	43
Opera Software ASA	NO	81	29%	62	119	-5%	125	0	NM	NM	39	-39%	63
Reply S.p.A.	IT	140	11%	127	156	-5%	165	48	31%	37	64	-14%	75
Median Performance		(10)	-42%	(17)	81	-4%	85	8	-13%	9	64	-9%	70
<b>Machinery Industry</b>													
Carraro S.p.A.	IT	7	155%	(12)	49	31%	38	68	-21%	85	110	-18%	135
Volvo AB	SE	16	-17%	19	35	-9%	38	74	-5%	78	93	-5%	97
CNH Industrial NV	UK	17	-44%	31	8	-36%	13	103	-6%	109	94	3%	92
Wacker Neuson SE	DE	201	0%	201	48	-3%	49	184	2%	180	31	12%	28
Fincantieri SpA	IT	206	58%	131	276	44%	191	36	1%	36	105	9%	96
Construcciones y Auxiliar de Ferrocarriles, S.A.	ES	233	14%	204	319	14%	279	28	-42%	48	113	-8%	123
Median Performance		102	-6%	109	66	0%	66	93	-4%	97	49	-3%	51
<b>Marine Shipping Industry</b>													
A.P. Moller - Marsk A/S	DK	(51)	-29%	(40)	32	-6%	34	15	-25%	20	99	4%	94
Hapag-Lloyd AG	DE	(27)	-18%	(23)	30	-23%	38	4	-49%	9	61	-13%	70
Euronav NV	BE	(16)	-241%	11	16	-61%	41	NM	NM	NM	32	8%	29
Wilh. Wilhelmsen Holding ASA	NO	40	11%	36	66	4%	64	46	-4%	47	72	-5%	76
James Fisher and Sons plc	UK	68	7%	64	57	-6%	60	60	12%	54	48	-4%	51
Cargotec Oyj	FI	100	-15%	117	62	-19%	77	82	-12%	94	45	-18%	55
Median Performance		16	-22%	21	31	-22%	40	9	-27%	13	38	-6%	40
<b>Media Industry</b>													
WPP Plc	UK	(1,530)	12%	1,745	200	-4%	208	69	-18%	85	1,799	-12%	2,038
Mediaset S.p.A.	IT	(321)	14%	(372)	149	-7%	161	15	-4%	16	486	-12%	549
Havas SA	FR	(173)	13%	(198)	352	-4%	366	23	27%	18	548	-6%	582
ITV plc	UK	85	-16%	101	41	0%	41	64	-16%	76	19	23%	16
Solocal Group	FR	93	-22%	118	147	-15%	172	2	-17%	3	56	-1%	57
Television Francaise 1 SA	FR	148	5%	142	98	-12%	111	197	9%	180	147	-2%	150
Median Performance		5	52%	4	69	-4%	72	22	-5%	23	86	0%	86

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<b>Medical Specialities &amp; Services Industry</b>													
Amplifon SpA	IT	(2)	-170%	3	39	-12%	45	15	-13%	17	56	-4%	59
CompuGroup Medical SE	DE	51	8%	47	75	9%	69	7	15%	6	31	12%	27
Gerresheimer AG	DE	68	-22%	88	58	-2%	59	76	-8%	83	66	22%	54
William Demant Holding A/S	DK	188	-8%	206	75	-3%	78	179	0%	178	66	29%	51
Smith & Nephew plc	UK	242	-3%	249	76	-10%	84	494	-5%	522	328	-8%	357
Biotest AG	DE	268	-17%	322	108	-5%	114	212	-21%	269	51	-15%	61
Median Performance		156	2%	153	73	6%	69	137	-6%	146	56	-4%	58
<b>Metal Industry</b>													
Endeavour Mining Corporation	FR	(19)	23%	(25)	8	-45%	15	85	3%	83	112	-8%	122
Katanga Mining Limited	CH	(17)	-112%	141	19	54%	12	50	-76%	211	86	4%	82
New World Resources Plc	NL	2	-62%	5	24	-16%	29	29	4%	28	51	-1%	52
Viohalco SA/NV	BE	105	-6%	112	60	23%	49	97	-21%	123	52	-14%	60
KAZ Minerals PLC	UK	111	7428%	(2)	13	-84%	79	121	-22%	154	22	-90%	235
Tubacex, S.A.	ES	169	1%	168	55	22%	45	199	4%	190	84	25%	68
Median Performance		65	-11%	73	25	-14%	29	86	-6%	91	46	-13%	53
<b>Motor Vehicles Industry</b>													
Renault SA	FR	(34)	-9%	(32)	10	-8%	11	44	13%	39	89	8%	82
Piaggio & C. S.p.a.	IT	(34)	-6%	(32)	23	2%	22	72	-13%	83	129	-6%	137
Peugeot SA	FR	(30)	-24%	(24)	10	25%	8	36	-4%	37	76	9%	69
Volkswagen AG	DE	52	5%	49	19	-8%	21	79	4%	75	46	-2%	47
Trigano SA	FR	53	-21%	67	38	-7%	41	77	-15%	90	62	-4%	64
Daimler AG	DE	67	1%	67	22	-9%	24	81	-2%	83	36	-11%	41
Median Performance		24	-5%	26	21	-4%	22	69	-9%	76	65	0%	65
<b>Office Equipment, Services &amp; Supplies Industry</b>													
Cimpress N.V.	NL	(31)	3%	(32)	8	26%	7	15	32%	12	55	9%	50
Adveo Group International, S.A.	ES	1	-93%	20	20	-29%	28	49	-14%	56	68	5%	65
RPS Group Plc	UK	44	-26%	59	71	-18%	87	NM	NM	NM	28	-1%	28
BWT AG	AT	100	16%	86	61	17%	52	77	5%	73	38	-5%	40
Median Performance		16	-19%	20	36	-5%	38	32	-9%	35	38	-5%	40
<b>Oil &amp; Gas Industry</b>													
Enagas SA	ES	(563)	20%	(702)	9	24%	7	58	-5%	61	629	-18%	770
Hellenic Petroleum SA	GR	(96)	-50%	(64)	15	29%	11	37	46%	25	148	46%	101
EnQuest PLC	UK	(95)	-67%	(57)	41	88%	22	57	-20%	70	193	29%	149
Tullow Oil plc	UK	91	260%	25	24	54%	16	86	-16%	103	19	-79%	93
Fuchs Petrolub SE	DE	97	9%	89	56	2%	55	85	11%	77	45	4%	43
Hunting PLC	UK	232	14%	203	54	-27%	73	216	26%	172	37	-11%	42
Median Performance		18	-8%	20	28	22%	23	29	9%	27	37	-11%	42

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<b>Pharmaceuticals Industry</b>													
Indivior Plc	UK	(188)	-273%	109	62	7%	58	184	7%	173	434	255%	122
Almirall SA	ES	(94)	-43%	(65)	55	7%	52	94	36%	69	242	30%	186
AstraZeneca PLC	UK	(75)	-4%	(72)	70	-3%	72	234	27%	184	379	15%	328
Endo International Plc	IE	216	-7%	233	113	-34%	172	191	8%	177	88	-24%	115
Roche Holding AG	CH	231	-15%	270	63	-11%	71	247	-11%	276	79	3%	76
Novo Nordisk A/S	DK	256	5%	244	52	-2%	54	331	-2%	337	128	-13%	147
Median Performance		135	-8%	147	69	-2%	71	181	-1%	183	119	3%	115
<b>Pulp, Paper &amp; Forest Products Industry</b>													
ENCE Energia y Celulosa SA	ES	(49)	-97%	(25)	63	17%	54	46	55%	29	158	46%	108
Norske Skogindustrier ASA	NO	14	-52%	29	40	51%	26	49	0%	49	75	61%	47
Sonae Industria SGPS S.A.	PT	14	7%	14	30	-15%	35	38	0%	38	54	-10%	60
Mondi plc	UK	72	-3%	74	44	-2%	45	70	-4%	72	42	-3%	43
UPM-Kymmene Oyj	FI	73	-4%	76	52	-1%	52	65	1%	64	43	7%	40
Holmen AB	SE	85	-9%	94	46	-10%	51	103	0%	103	64	5%	61
Median Performance		46	-17%	56	44	-7%	47	58	1%	57	54	5%	51
<b>Railroads &amp; Trucking Industry</b>													
Groupe Eurotunnel SE	FR	(18)	-85%	(9)	39	-19%	48	2	-22%	3	59	-3%	60
VTG Aktiengesellschaft	DE	(16)	29%	(23)	53	8%	49	15	8%	14	84	-2%	86
Logwin AG	LU	(10)	-49%	(7)	44	-4%	46	1	13%	1	55	3%	54
STEF	FR	15	483%	3	57	-2%	58	10	63%	6	51	-16%	61
DSV A/S	DK	20	-4%	21	60	2%	59	NM	NM	NM	40	5%	38
Compania de Distribucion Integral Logista Holdings SAU	ES	81	3%	79	68	0%	68	43	0%	43	30	-8%	32
Median Performance		12	353%	3	53	8%	49	7	43%	5	51	-5%	54
<b>Recreational Products Industry</b>													
Thule Group AB	SE	74	-21%	94	43	-24%	56	84	-16%	100	52	-16%	62
Beneteau SA	FR	98	-16%	117	50	-12%	57	92	-9%	101	44	8%	40
Amer Sports Oyj	FI	136	-3%	141	81	-9%	89	129	5%	122	74	4%	70
Accell Group N.V.	NL	143	16%	124	50	-10%	55	156	27%	123	63	14%	55
Median Performance		131	6%	124	50	-12%	57	117	-1%	119	56	1%	56
<b>Semiconductors &amp; Equipment Industry</b>													
ARM Holdings plc	UK	(172)	-44%	(119)	68	3%	66	40	-29%	56	280	16%	241
Dialog Semiconductor plc	UK	25	-36%	38	13	-52%	28	73	13%	64	61	13%	54
Siltronic AG	DE	79	-17%	96	39	-18%	48	81	0%	80	41	26%	32
STMicroelectronics NV	CH	115	0%	115	44	-10%	49	122	-2%	124	51	-12%	58
NXP Semiconductors NV	NL	171	302%	42	65	67%	39	231	112%	109	125	18%	105
ASML Holding NV	NL	305	-4%	318	47	-29%	66	307	-2%	312	49	-18%	59
Median Performance		87	8%	81	47	-5%	49	123	3%	120	61	-20%	77

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<b>Telecommunications Industry</b>													
Altice NV	NL	(169)	69%	(537)	74	-61%	189	18	-67%	53	260	-67%	779
Hellenic Telecommunications Organization SA	GR	(143)	0%	(143)	68	7%	64	19	-7%	20	230	1%	226
Sunrise Communications Group AG	CH	(137)	11%	(154)	63	9%	58	11	-10%	13	211	-6%	224
Telia Company AB	SE	(13)	54%	(28)	45	-10%	51	16	1%	16	75	-21%	95
Drillisch AG	DE	9	-63%	25	51	-14%	60	28	139%	12	70	50%	47
Elisa Oyj	FI	40	-2%	41	69	2%	68	23	0%	23	52	5%	49
Median Performance		(62)	35%	(46)	57	-5%	60	16	16%	14	106	-10%	118
<b>Telecommunications Equipment Industry</b>													
Alcatel-Lucent SA	FR	(20)	-1765%	(1)	65	-7%	70	69	-22%	88	153	-3%	159
TomTom International B.V.	NL	14	-7%	15	50	-2%	51	38	-6%	40	74	-3%	77
Nokia Oyj	FI	67	52%	44	114	16%	98	53	-20%	66	100	-17%	120
LM Ericsson Telefon AB	SE	123	-6%	131	107	-10%	120	71	-4%	74	55	-12%	62
HUBER+SUHNER AG	CH	150	-8%	163	62	-4%	65	111	-19%	137	23	-39%	38
Garmin Ltd.	CH	170	-1%	171	70	-12%	79	155	10%	141	55	10%	50
Median Performance		97	-1%	98	70	-12%	79	71	-13%	82	74	-3%	77
<b>Textiles, Apparel &amp; Footwear Industry</b>													
OVS SpA	IT	(9)	67%	(27)	20	-52%	41	105	-53%	225	133	-54%	293
TOM TAILOR Holding AG	DE	34	0%	34	19	-8%	20	113	11%	101	98	11%	88
Damartex SA	FR	52	-1%	53	28	-5%	29	63	3%	61	39	3%	38
Ted Baker PLC	UK	171	-30%	245	38	48%	26	258	-16%	309	126	41%	90
Prada S.p.A.	IT	185	59%	117	26	-27%	36	267	10%	242	108	-33%	161
New Wave Group AB	SE	278	0%	277	62	-7%	66	255	3%	248	38	3%	37
Median Performance		108	-2%	110	39	-1%	39	133	-25%	176	88	-1%	89
<b>Tobacco Industry</b>													
Karelia Tobacco Company Inc.	GR	9	17%	8	5	-13%	6	57	75%	32	52	75%	30
Imperial Brands PLC	UK	66	-7%	71	32	-13%	37	52	0%	52	18	1%	18
British American Tobacco p.l.c.	UK	298	-4%	311	65	15%	56	311	-1%	313	77	33%	58
Scandinavian Tobacco Group A/S	DK	318	-12%	362	45	-7%	48	313	-12%	356	40	-7%	43
Median Performance		78	-32%	115	40	-3%	41	69	-44%	123	40	-7%	43
<b>Utilities Industry</b>													
Red Electrica Corp. SA	ES	(270)	-136%	(114)	3	-53%	6	32	-13%	36	304	95%	156
Elecnor S.A.	ES	(84)	-215%	73	190	-4%	199	4	-70%	13	278	100%	139
Acea S.p.A.	IT	(58)	-50%	(39)	143	-9%	157	4	-12%	5	205	2%	200
Direct Energie SA	FR	67	20%	56	79	35%	59	14	7%	13	26	62%	16
Electricite de France SA	FR	117	2%	115	108	-6%	115	89	-4%	94	81	-14%	94
Public Power Corporation S.A.	GR	119	2%	117	118	6%	111	71	14%	62	69	23%	56
Median Performance		11	-25%	14	56	-1%	57	14	6%	13	69	-8%	75

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<b>Wholesale Distributors Industry</b>													
Atlantia S.p.A	IT	(107)	7%	(115)	97	-4%	102	10	4%	10	214	-5%	226
Kobenhavns Lufthavne A/S	DK	(79)	-27%	(62)	29	-7%	31	NM	NM	NM	108	16%	93
Abertis Infraestructuras SA	ES	(73)	-3%	(71)	32	-30%	45	3	-39%	5	107	-11%	120
JACQUET Metal Service SA	FR	108	8%	100	46	-1%	47	119	9%	109	58	3%	56
Amsterdam Commodities N.V.	NL	115	0%	116	40	-1%	41	98	-11%	109	22	-34%	34
Bossard Holding AG	CH	182	-5%	192	58	-1%	59	161	-6%	171	37	-4%	39
Median Performance		25	15%	21	40	-7%	43	45	9%	41	59	9%	54
<b>Wireless Telecommunications Industry</b>													
VimpelCom Ltd.	NL	(238)	-4%	(228)	21	-39%	35	46	26%	37	305	2%	300
Intelsat S.A.	LU	(150)	-8%	(139)	37	4%	35	NM	NM	NM	186	7%	174
Vivendi SA	FR	(84)	-39%	(60)	39	-45%	72	7	-5%	7	130	-7%	139
Millicom International Cellular S.A.	LU	(21)	-106%	(10)	22	-29%	31	24	-52%	50	67	-26%	91
Telefonica Deutschland Holding AG	DE	(9)	73%	(32)	76	-32%	113	14	-6%	15	99	-38%	160
Inmarsat plc	UK	(7)	82%	(37)	58	-16%	69	24	-13%	28	88	-34%	133
Median Performance		(25)	-28%	(35)	38	-18%	46	18	22%	15	95	-30%	136

NOTE: For the purpose of the study companies that securitise their receivables have had the value of securitised receivables added back to the overall receivables figure. NM (not meaningful).

# SCORECARD METHODOLOGY

REL's Working Capital Survey calculates working capital performance based on the latest publicly available annual financial statements of the largest listed non-financial companies with headquarters in Europe. This year the survey included 960 companies. The survey takes an industry-based approach to ranking companies according to the four key working capital metrics: days sales outstanding (DSO), days inventory outstanding (DIO), days payables outstanding (DPO) and cash conversion cycle (CCC). For each industry the companies are ranked according to overall CCC, the top three and bottom three performers are listed in the scorecard.

Companies are classified according to the industry classification system and data sourced from FactSet. For purposes of the survey and presenting results, we have grouped certain industries together. Historical comparisons within the survey are made on a like-for-like basis. Where off-balance sheet arrangements are used by the company, adjustments have been made to the data in order to provide true, consistent and comparable figures.

The survey calculates working capital performance based on the latest publicly available data, and this is sourced from FactSet/FactSet Fundamentals.

## Days Sales Outstanding (DSO) = Accounts Receivable/(One day revenue)

- Year-end trade receivables net of allowance for doubtful accounts, divided by one day of average revenue
- A decrease in DSO represents an improvement, an increase a deterioration

## Days Inventory Outstanding (DIO) = Inventory/(One Day Cost of Goods Sold (COGS))

- Year-end inventory balance divided by average days COGS
- A decrease is an improvement, an increase a deterioration

## Days Payables Outstanding (DPO) = Accounts Payable/(One Day COGS)

- Year-end trade accounts payable balance divided by average days COGS
- An increase in DPO represents an improvement, a decrease a deterioration

## Cash Conversion Cycle (CCC) = (DSO + DIO - DPO)

- Year-end DSO + DIO - DPO performance (in days as calculated above)
- The lower the number of days, the better

“The €300m-plus improvement in our cash position is the sum of a pragmatic no-nonsense approach, continuous focus on the operational drivers, creating company-wide awareness through extensive training sessions and a transparent reporting structure. REL consultants facilitated this, showed by example, and executed the project plan as a trusted ‘team member.’ ”

— Erik Bax, COO, Royal BAM Group NV

“We were very impressed with REL’s expertise and deep operational knowledge. They were committed, hard-working and flexible – always willing to ‘go the extra mile’ to deliver the best possible output.”

— Roger Sonnevill, Corporate Controller, Nutreco NV



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#### About REL

REL, a division of The Hackett Group, Inc. (NASDAQ: HCKT), is a world-leading consulting firm dedicated to delivering sustainable cash flow improvement from working capital and across business operations. REL's tailored solutions balance client trade-offs between working capital, operating costs, service performance and risk. REL's expertise has helped clients free up billions in cash, creating the financial freedom to fund acquisitions, product development, debt reduction and share buy-back programmes. In-depth process expertise, analytical rigour and collaborative client relationships enable REL to deliver an exceptional return on investment in a short timeframe. REL has delivered work in over 60 countries for Global 1000 companies. More information on REL is available by phone at +44 20 7398 9100; by e-mail at [info@relconsultancy.com](mailto:info@relconsultancy.com)

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